

**ANNUAL REPORT
2006**



Organisation
development
through
self development



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CORPORATE INFORMATION

BOARD OF DIRECTORS

Chairman	Yusuf H. Shirazi
Directors	Frahim Ali Khan
	Saqib H. Shirazi
	Sherali Mundrawala
	S. Salim Raza
	Tariq Iqbal Khan
Chief Executive Officer	Abdul Aziz Rajkotwala
Company Secretary	Irfan Ibrahim Bhaiyat

BOARD COMMITTEES

EXECUTIVE COMMITTEE

Chairman	Frahim Ali Khan
Members	Saqib H. Shirazi
	Abdul Aziz Rajkotwala
Secretary	Irfan Ibrahim Bhaiyat

AUDIT COMMITTEE

Chairman	Sherali Mundrawala
Members	S. Salim Raza
	Tariq Iqbal Khan
Secretary	Irfan Ibrahim Bhaiyat
Chief Internal Auditor	Fazal-ur-Rehman

CREDIT COMMITTEE

Chairman	Frahim Ali Khan
Members	Saqib H. Shirazi
	Abdul Aziz Rajkotwala
Secretary	Irfan Ibrahim Bhaiyat

HUMAN RESOURCE COMMITTEE

Chairman	Frahim Ali Khan
Members	Saqib H. Shirazi
	Abdul Aziz Rajkotwala
Secretary	Afshan Waheed

MANAGEMENT COMMITTEES

MANAGEMENT COMMITTEE

Chief Executive Officer	Chairman	Abdul Aziz Rajkotwala
Chief Financial Officer	Member	Cyrus T. Tengra
Country Head Commercial Banking	Member	Faisal Iqbal
Country Head Treasury & Investments	Member	Farooq Saleem
Country Head Operations	Member	Sheikh Tahir Azmat
Head of Human Resource	Member	Afshan Waheed
Company Secretary	Secretary	Irfan Ibrahim Bhaiyat

CREDIT COMMITTEE

Chief Executive Office	Chairman	Abdul Aziz Rajkotwala
Chief Financial Officer	Member	Cyrus T. Tengra
Country Head Commercial Banking	Member	Faisal Iqbal
Country Head Treasury & Investments	Member	Farooq Saleem
Credit Analyst	Secretary	Shah Raza Naqvi

COMPANY INFORMATION
ASSET & LIABILITY COMMITTEE (ALCO)

Chief Executive Officer	Chairman	Abdul Aziz Rajkotwala
Chief Financial Officer	Member	Cyrus T. Tengra
Country Head Commercial Banking	Member	Faisal Iqbal
Country Head Treasury & Investments	Member	Farooq Saleem
Country Head Operations	Member	Sheikh Tahir Azmat
Head of Risk Management	Member	Anjum Shahzad
Chief Dealer	Secretary	Zubair Aziz

HUMAN RESOURCE COMMITTEE

Chief Executive Officer	Chairman	Abdul Aziz Rajkotwala
Chief Financial Officer	Member	Cyrus T. Tengra
Country Head Commercial Banking	Member	Faisal Iqbal
Country Head Operations	Member	Sheikh Tahir Azmat
Head of Human Resource	Member/ Secretary	Afshan Waheed

IT STEERING COMMITTEE

Chief Executive Officer	Chairman	Abdul Aziz Rajkotwala
Chief Financial Officer	Member	Cyrus T. Tengra
Country Head Commercial Banking	Member	Faisal Iqbal
Country Head Operations	Member	Sheikh Tahir Azmat
Head of Risk Management	Member	Anjum Shahzad
Head of Information Technology	Member/ Secretary	Kashif Hafeez

RISK MANAGEMENT COMMITTEE

Chief Executive Officer	Chairman	Abdul Aziz Rajkotwala
Chief Financial Officer	Member	Cyrus T. Tengra
Country Head Commercial Banking	Member	Faisal Iqbal
Country Head Treasury & Investments	Member	Farooq Saleem
Country Head Operations	Member	Sheikh Tahir Azmat
Head of Risk Management	Member/ Secretary	Anjum Shahzad

AUDITORS

Ford Rhodes Sidat Hyder & Co. (Chartered Accountants)

LEGAL ADVISORS

Mohsin Tayebally & Co.

TAX ADVISORS

Ford Rhodes Sidat Hyder & Co. (Chartered Accountants)
Lahore Law Associates

REGISTRAR & SHARE TRANSFER OFFICE

THK Associates (Pvt.) Ltd.
Ground floor, State Life Building - 3,
Dr. Ziauddin Ahmed Road,
Karachi.
UAN 111-000-322
Fax: (92-21) 5655595

REGISTERED & HEAD OFFICE

3rd Floor, Federation House,
Sharae Firdousi, Clifton, Karachi
Telephone: (92-21) 5866817-20, 5866919-20
UAN 111-333-225 Fax: (92-21) 5870543
E-mail: info@atlasbank.com.pk

WEBSITE

www.atlasbank.com.pk

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the Fourth Annual General Meeting of the members of **Atlas Bank Limited** will be held at 11:00 a.m., on Thursday, March 29, 2007, at 3rd Floor, Federation House, Sharae Firdousi, Clifton, Karachi to transact the following business:

ORDINARY BUSINESS:

1. To confirm Minutes of the Extraordinary General Meeting held on May 18, 2006.
2. To receive, consider and adopt the Audited Financial Statements of the Bank and Consolidated Financial Statements of the Bank and its subsidiary for the year ended December 31, 2006 together with the Directors' Report and Auditors' Report thereon including post facto approval of remuneration of Rs.80,000/- to the non-executive Directors reported at note No. 26 of the notes to the financial statements of the bank as required under SBP Prudential Regulation.
3. To appoint auditors and fix their remuneration for the year ending December 31, 2007. The present auditors M/s. Ford Rhodes Sidat Hyder & Co., Chartered Accountants, retire and being eligible, offer themselves for reappointment.

SPECIAL BUSINESS:

4. To consider and pass the following resolution as special resolution approving the increase in authorized capital of the Bank.

RESOLVED "that the authorized capital of the Bank be and is hereby increased from Rs.5,000,000,000/- (Rupees five billion only) to Rs.7,000,000,000/- (Rupees Seven billion only) by creation of 200,000,000 (Two hundred million) new ordinary shares of Rs.10/- (Rupees ten each) each."

FURTHER RESOLVED "that an amendment to the Memorandum of Association of the Bank relating to increase in authorized capital of the Bank be and is hereby allowed to alter the words and figures Rs.5,000,000,000/- (Rupees five billion only) divided into 500,000,000/- (five hundred million) Ordinary shares of Rs.10 (Rupees ten) each appearing in Clause V of the Memorandum of Association with the words and figures Rs.7,000,000,000/- (Rupees seven billion only) divided into 700,000,000 (Seven hundred million) Ordinary Shares of Rs.10/- (Rupees ten) each."

FURTHER RESOLVED "that an amendment to the Articles of Association of the Bank relating to increase in authorized capital of the Bank be and is hereby allowed to alter the words and figures Rs.5,000,000,000/- (Rupees five billion only) divided into 500,000,000/- (five hundred million) Ordinary shares of Rs.10 (Rupees ten) each appearing in Article No.6 of the Article of Association with the words and figures Rs.7,000,000,000/- (Rupees seven billion only) divided into 700,000,000 (Seven hundred million) Ordinary Shares of Rs.10/- (Rupees ten) each."

FURTHER RESOLVED "that the Chief Executive Officer and Company Secretary of the Bank be and are hereby authorized and empowered to give effect to the resolutions as mentioned above and to do or cause to be done all acts, deeds and things that may be necessary or required for increase in the authorized capital of the Bank."

5. To consider and pass the following resolution as special resolution approving the transmission of quarterly accounts through website in compliance with section 245 of the Companies Ordinance, 1984 and Securities and Exchange Commission of Pakistan (SECP) circular No. 19 of 2004 dated April 14, 2004 provided it meets all other conditions.

RESOLVED "that the Bank may place its quarterly accounts on its website instead of sending the same to members by post, as allowed by the Securities and Exchange Commission of Pakistan (SECP) vide its circular No. 19 of 2004 dated April 14, 2004."

A statement under section 160 (1)(b) of the Companies Ordinance, 1984 pertaining to the Special Business referred to above is annexed to this Notice of Meeting.

OTHER BUSINESS:

6. To transact any other business as may be placed before the meeting with the permission of the Chair.

By Order of the Board



Irfan Ibrahim Bhaiyat
Company Secretary

Karachi: March 8, 2007

Notes:

- i) The Register of Members of the Bank will remain closed from March 22, 2007 to March 29, 2007 (both days inclusive).
- ii) A member entitled to attend and vote at this meeting may appoint another member as his / her proxy to attend and vote on his / her behalf. The instrument appointing a Proxy and the power of attorney or other authority under which it is signed or a notarially certified copy of the power of attorney must be valid and received at the Share Registrar of the Bank, M/s THK Associates (Pvt.) Limited, duly stamped, signed and witnessed not later than 48 hours before the meeting.
- iii) Shareholders whose shares are deposited with Central Depository Company (CDC) are requested to bring their Computerized National Identity Card (CNIC) along with their CDC Account Number for verification. In case of corporate entity, the Board of Directors' resolution / power of attorney with specimen signatures of the nominee shall be produced (unless it has been provided earlier) at the time of the meeting.
- iv) Members are requested to notify any change in their addresses immediately.
- v) Members are requested to submit copy of their CNICs with our Share Registrar M/s THK Associates (Pvt.) Limited.

STATEMENT UNDER SECTION 160(1)(b) OF THE COMPANIES ORDINANCE, 1984.

1. Increase in Authorized Capital

The present authorized capital of the Bank is Rs.5 billion. The directors of the Bank recommended that the authorized capital of the Bank be increased to Rs. 7 billion in order to accommodate additional capital issuance in future. The increase in authorized capital will also enable the Bank to meet SBP's future requirement of maintaining minimum paid-up capital.

The Directors of the Bank have no interest in the special business and / or special resolution that would need a further disclosure.

2. Placement of Quarterly Accounts on Website

The Securities and Exchange Commission of Pakistan (SECP) vide its circular No. 19 of 2004 dated April 14, 2004 has allowed the listed companies to place the quarterly accounts on their websites instead of sending the same to each shareholder by post. This would ensure prompt disclosure of information to the shareholders, besides saving of costs associated with printing and dispatch of the accounts by post.

The Bank maintains a website (www.atlasbank.com.pk) and latest accounts may be placed there for information of the shareholders and the general public. Prior permission of the Securities and Exchange Commission of Pakistan would be sought for transmitting the quarterly accounts through Bank website after the approval of the shareholders. The Bank, however will make available printed copies of accounts to the shareholders on demand at their registered address, free of charge, within one week of receiving such request.

The Directors of the Bank have no interest in the special business and / or special resolution that would need a further disclosure.

PERFORMANCE AT A GLANCE

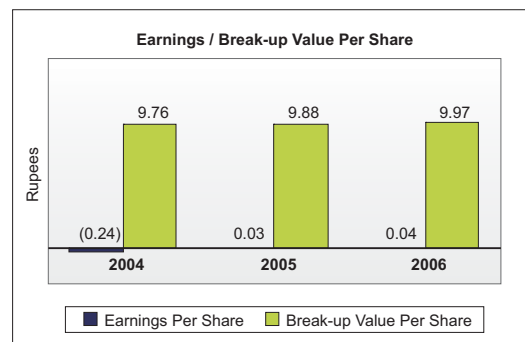
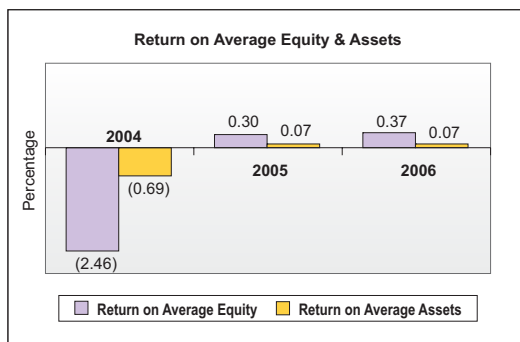
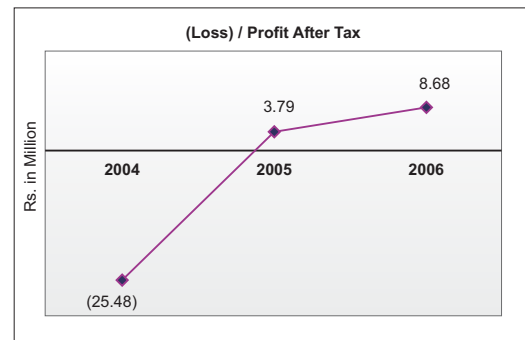
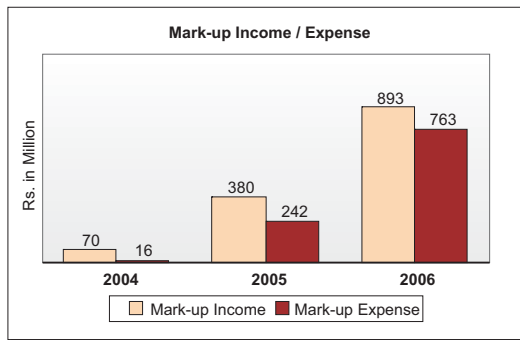
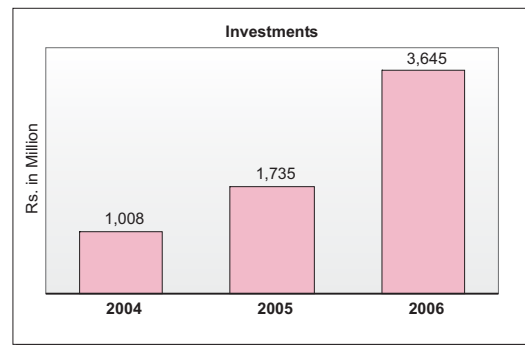
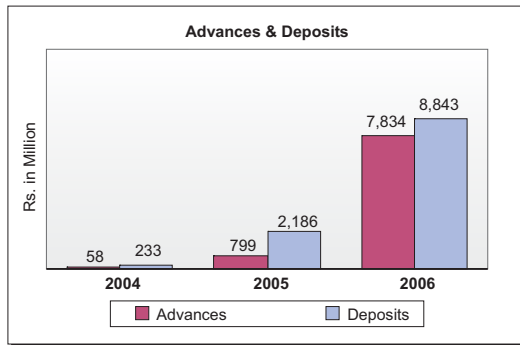
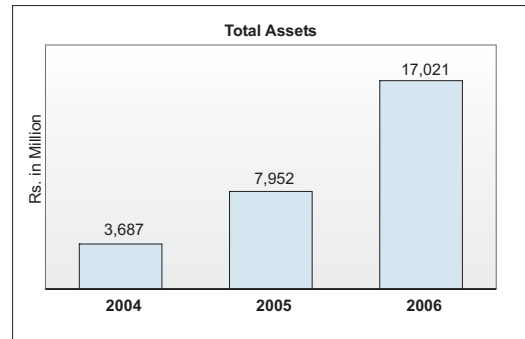
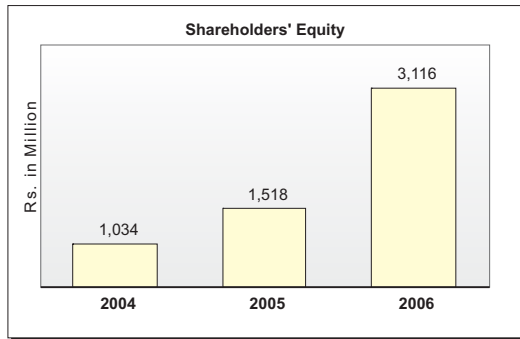
(Rupees in '000)

	2006	2005	2004	
FINANCIAL DATA				
Paid-up capital	3,125,916	1,537,000	1,060,000	
Shareholders' equity	3,116,083	1,518,485	1,034,520	
(Deficit) / surplus on revaluation of investments	(117,793)	10,895	850	
Borrowings	4,025,949	4,096,777	2,179,514	
Deposits and other accounts	8,842,946	2,186,005	232,663	
Lendings to financial institutions	3,500,844	4,847,386	2,421,660	
Investments - net of provision	3,645,195	1,735,015	1,007,630	
Advances - net of provision	7,833,786	799,411	57,617	
Total assets	17,020,586	7,951,719	3,686,830	
OPERATING DATA				
Mark-up / return / interest earned	892,583	380,135	70,402	
Mark-up / return / interest expensed	763,083	242,286	15,628	
Non mark-up / interest income	96,588	10,802	988	
Non mark-up / interest expenses	308,729	136,549	95,228	
Operating (loss) / profit before provisions and taxation	(82,641)	12,102	(39,466)	
Provisions	58,195	2,576	(1,799)	
(Loss) / profit before taxation	(140,836)	9,526	(37,667)	
Profit / (loss) after taxation	8,682	3,788	(25,480)	
FINANCIAL RATIOS				
Profitability (%)				
Gross Spread Ratio	%	14.51	36.26	77.80
Income / Expense Ratio	Times	0.73	1.09	0.59
Profit After Taxation / Gross Revenue	%	0.88	0.97	(35.69)
Return on Average Equity	%	0.37	0.30	(2.46)
Return on Average Assets	%	0.07	0.07	(0.69)
Share Information				
Earnings Per Share	Rs.	0.04	0.03	(0.24)
Price Earning Ratio *	Times	365.00	-	-
Market Value Per Share *	Rs.	14.60	-	-
Break-up Value Per Share	Rs.	9.97	9.88	9.76
Break-up Value Per Share (including revaluation of assets)	Rs.	9.59	9.95	9.77
Capital Adequacy Ratio	%	15.79	44.93	71.01
Advances / Deposits Ratio	%	83.77	34.74	24.76
OTHER INFORMATION				
Number of employees		247	152	55
Number of branches		20	11	2

* The Bank was listed on Karachi, Lahore and Islamabad stock exchanges on October 16, 2006, therefore, the information pertaining to prior years is not applicable.

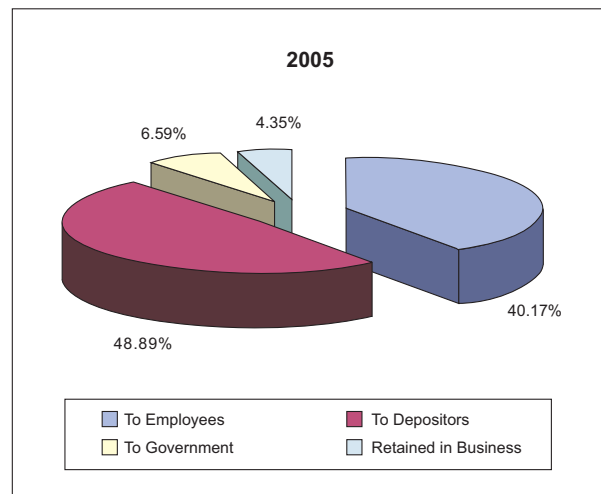
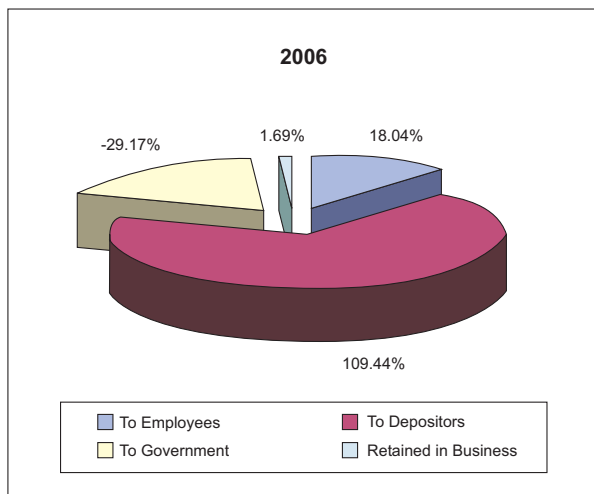
Note : The Bank commenced its operations from March 25, 2004. Figures upto July 28, 2006 are of the pre-merged entity - Atlas Bank Ltd.

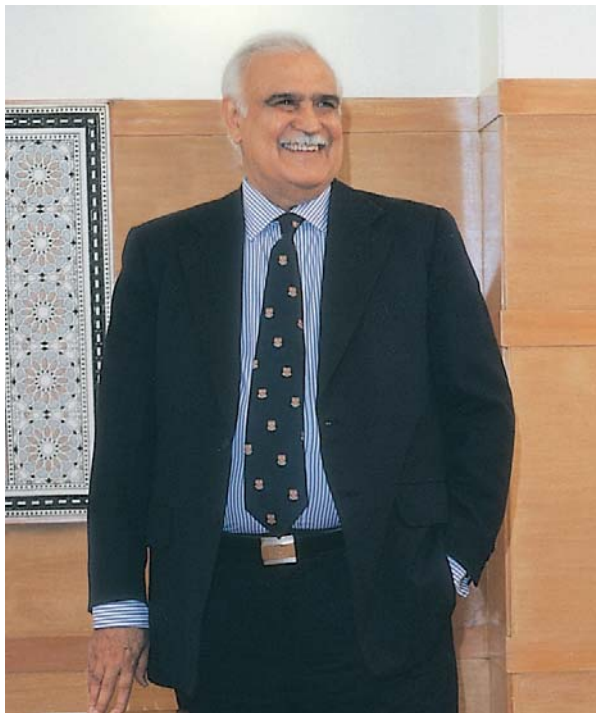
PERFORMANCE AT A GLANCE
 GRAPHICAL PRESENTATION



VALUE ADDED STATEMENT

	2006		2005	
	Rupees in '000	%	Rupees in '000	%
VALUE ADDED				
Income from Banking Services	786,190		190,917	
Cost of Services	(216,275)		(96,026)	
Value added by Banking Services	569,915		94,891	
Non Banking Income	839		296	
Provisions	(58,195)		(8,128)	
	<u>512,559</u>		<u>87,059</u>	
VALUE ALLOCATED				
To Employees	92,454	18.04%	34,971	40.17%
To Depositors	560,941	109.44%	42,562	48.89%
To Government	(149,518)	-29.17%	5,738	6.59%
Retained in Business	8,682	1.69%	3,788	4.35%
	<u>512,559</u>	<u>100.00%</u>	<u>87,059</u>	<u>100.00%</u>





CHAIRMAN'S REVIEW

I am pleased to present to you the Third Annual Report of your bank for the year ended December 31, 2006.

In December 2005, the Atlas Group acquired Dawood Bank Limited with an equity of Rs.1.514 billion and 11 branches. In March 2006, we changed its name to Atlas Bank Limited. On July 29, 2006, we merged Atlas Investment Bank Limited with Atlas Bank Limited.

Atlas Investment Bank Limited (AIB) was an Atlas Group company established in 1991. At the time of merger AIB was the most diversified and one of the largest investment banks in the country with balance sheet size of Rs.8.24 billion. AIB was merged with Atlas Bank Limited at a swap ratio of 3.14 shares of Atlas Bank Limited for one share of AIB. It was quoted on Karachi, Lahore and Islamabad Stock Exchanges.

Atlas Investment Bank enjoyed credit rating of A+ and A1 by PACRA and won the 'Best Corporate Report Award' in 2000 and 2004, from the Institute of Chartered Accountants of Pakistan and the Institute of Cost and Management Accountants of Pakistan. AIB also won The South Asian Federation of Accountants - 'Best Presented Accounts Award' in 2004 and 2005. AIB had also to its credit, being one of the "Top 100 Companies" out of the total 662 companies listed on the Karachi Stock Exchange in 2004 and 2005.

Before the merger of AIB its brokerage operations were separated into a wholly owned subsidiary of

AIB to comply with the State Bank's regulations which bar commercial banks to have brokerage operations as part of their business activities. The subsidiary, Atlas Capital Markets (Pvt.) Ltd. (ACM) was incorporated on March 8, 2006. Consequent to the merger, ACM has become the wholly owned subsidiary of your Bank.

The merger of AIB has added value and financial strength and supplemented range of products and services of your Bank.

Economy

The year 2006 could well be described as a year of consolidation. Though the GDP slowed down to 6.6% during FY06 from 8.6% recorded last year, it was still better than Pakistan's historic average. The major reason for the relative slow-down was a decline in agriculture growth to 2.5% from 6.7% largely due to adverse weather conditions. The manufacturing sector also recorded a lower growth rate of 8.6% against 12% of last year. Whereas the telecom, banking, auto, transportation and retail sectors performed well, the cement and fertilizer lagged behind. The high utility costs adversely impacted the textile and sugar industries. Overall the services sector performed well and registered a growth of 8.8% against 8% of last year, lending good support to the overall GDP growth. GDP per capita rose by 14% to \$847 from \$742 of last year.

Whereas the economy seems to be doing well and expected to achieve growth rate of around 7% in FY07, the widening trade deficit has, nevertheless, been a cause of concern. It has risen to \$13 billion as against \$9.4 billion of last year, up 38%. This was due to 18% surge in imports which rose to \$29.8 billion partly due to rising oil prices. The exports, on the other hand, rose to \$16.8 billion, up only 6%.

Going forward, the country has to deal with the widening trade deficit and rising inflation. With a trade deficit of almost equal to Forex Reserves of \$13 billion the situation demands to re-visit import and trade policy and take measures to boost exports. Government should extend help in accessing export markets. All cost inputs of our export goods should be analysed and reduced to remain competitive in the market. Devaluation should be avoided as it hurts more than it heals!

KSE-100 index rose to a record 12,274 points on April 17, 2006. This was followed by a sharp decline with the index closing at 10,041 points at the year end compared to 9,557 points last year. Average daily volumes fell to 257 million shares, down 29%, and average daily value of shares traded during the year fell to Rs.31.6 billion, down 6%. However the year 2007 started with a bullish market and on February 23, 2007 the KSE-100 index rose to 11,608 points, up 15.6%. This upsurge is largely attributable to the

foreign inflows coupled with local investment. The overall situation seems bright and the stock market is likely to continue attracting investors -foreign too- due to its lower multiples in comparison to other regional markets.

Monetary Developments

Federal tax collection which was Rs.713 billion, in FY06 depicted a growth of 27% during the first half of the current fiscal year and rose to Rs.411 billion. The total foreign investment during the first half of FY07 rose to \$2.5 billion against \$3.9 billion of full FY06. Foreign remittance in the first 7 months of FY07 stood at \$296 billion as against \$4.59 billion for the full FY06. The forex reserves also improved to \$13.3 billion in February, 2007. While all these indicators are positive the growing trade deficit at around \$ 13 billion now, and high inflation around 8.5% are cause of concern.

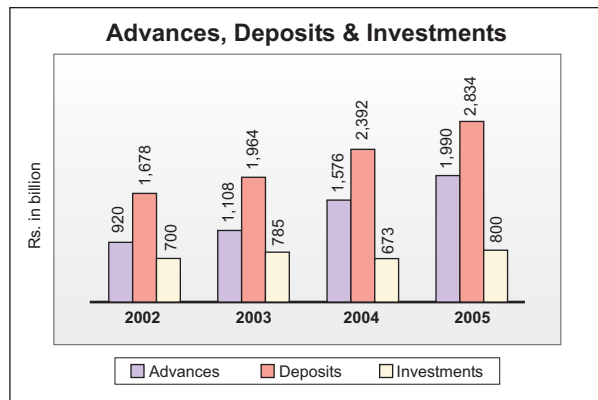
The State Bank reduced the targeted monetary growth to 13.5% for FY07 to control the speculative lending by banks and also to curb inflation. The major steps taken by the State Bank to curb inflationary pressures are:

- Enhanced Statutory Liquidity and Cash Reserves Requirements from 20% to 25%.
- Raised discount rate by 0.5% to 9.5%.

Benchmark T-Bill cut-off rates that have now remained unchanged at a high of 8.8% for the past six months averaged 8.5% for the year ending December 31, 2006.

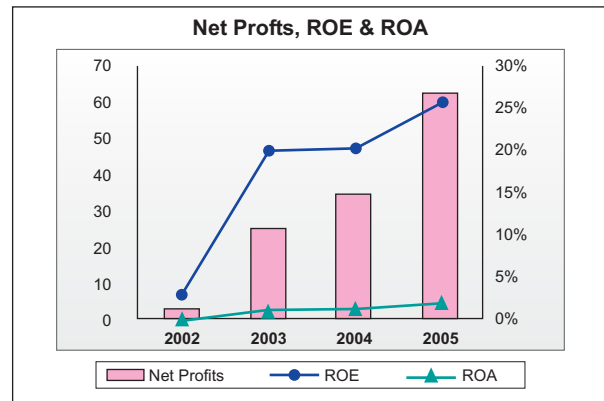
Banking Industry

There are 36 commercial banks operating in the country, out of which 4 are public sector banks, 23 are local private and 9 are foreign banks. 22 Banks are listed on the Karachi Stock Exchange.

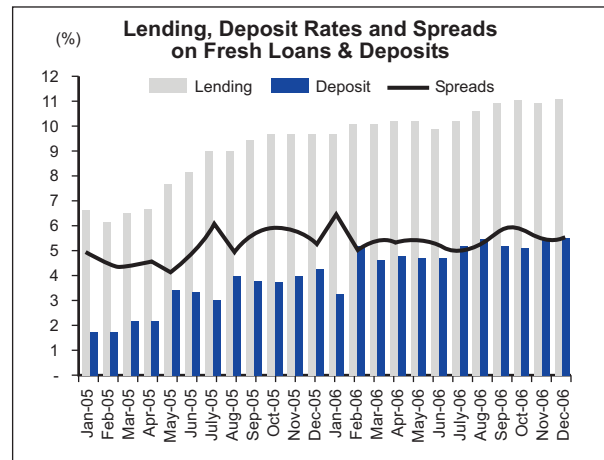


As the economy is doing well, the banking sector has also continued its momentum of growth. The year 2006 was another good year for the banking sector. The credit disbursement during the first half of 2006 grew to Rs.2.160 trillion from Rs.1.990 trillion of full year 2005, and the deposits rose to Rs.3.091 trillion from Rs.2.834 trillion of last full year. Currently,

total private sector credit in Pakistan is 26% of GDP, which is much lower compared to 48% in India, which shows the potential of growth.



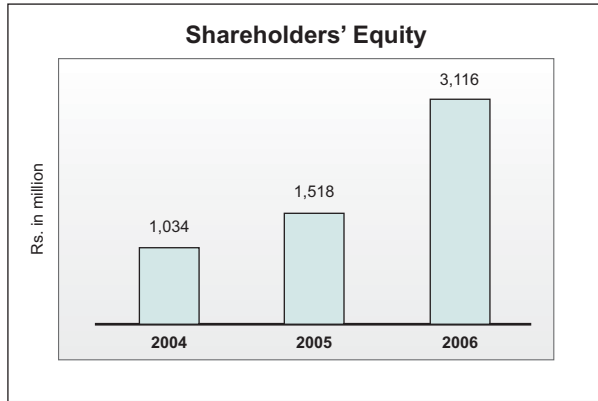
Despite growing competition and pressure on spreads, the profitability of banks for 2006 seems good and results are expected to be better than last year. IMF's recent report ranked Pakistan's banking sector as the 3rd best amongst 44 emerging markets in terms of return on assets.



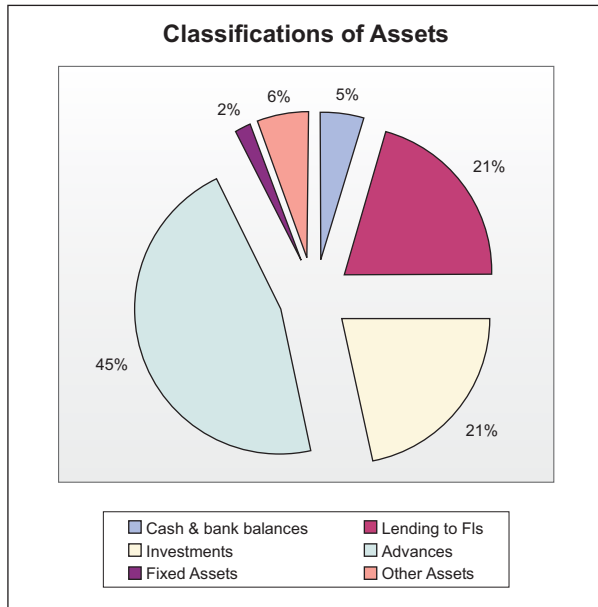
The banking sector is passing through a phase of growth and consolidation. The State Bank of Pakistan has raised the minimum capital requirement to Rs. 6 billion by 2009. The increasing deposit rates are putting pressure on spreads and the competition is getting tough. In order to meet the minimum capital requirement and fight the growing competition, mergers and acquisitions are taking place more than ever before. The State Bank of Pakistan is also encouraging mergers and acquisitions which we believe will ensure a healthy and more viable banking sector. According to the State Bank of Pakistan's report, 21 mergers and acquisitions have taken place in the last 6 years of which 5 took place during Jul-Dec 2006. At least 3 more are in the pipeline. There is a strong likelihood of further consolidation in the banking sector which will further reduce the number of banks and improve the efficiency, competitiveness and performance of the banking sector. I believe there should be a bank for everybody - large, medium and of small size - not at the cost of economy.

The Bank's Performance

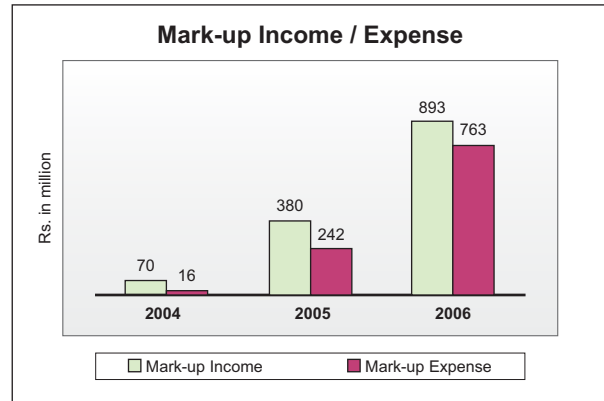
This is the 1st Annual Report of the merged entity. These financial statements depict 7 months result of the bank without the investment bank operations and 5 months results of the merged entity.



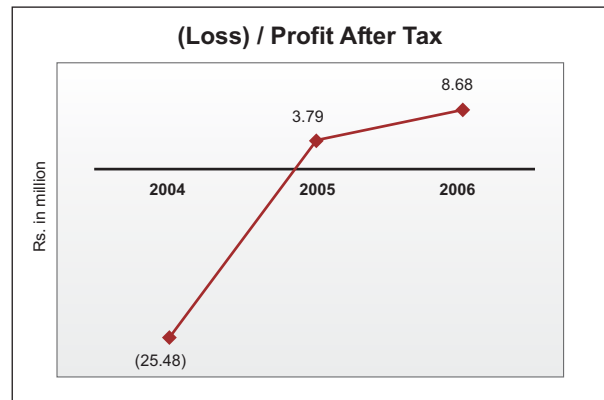
As at December 31, 2006 the share holders equity of the bank stood at Rs.3.12 billion, deposits at Rs.8.84 billion, advances at Rs.7.83 billion and total assets at Rs.17.02 billion.



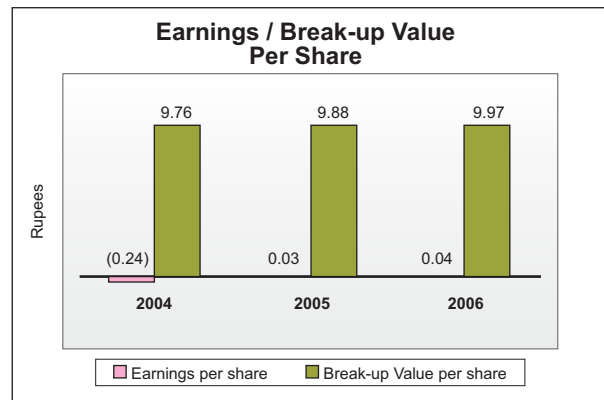
Mark-up earned during the year was Rs.892.58 million, compared to Rs.380.14 million of the previous year. Mark-up expense amounted to Rs.763.08 million, compared to Rs.242.29 million of the previous year. Non mark-up income rose to Rs.96.59 million, compared to Rs.10.80 million last year. Non mark-up expenses increased to Rs.308.73 million from Rs.136.55 million last year. Provision for doubtful advances and investments amounted to Rs.58.20 million compared to Rs.2.58 million last year.



After the tax adjustments, the net profit after tax amounted to Rs.8.68 million as compared to Rs.3.79 million of the previous year.



After consolidating with ACM's profit of Rs.13.67 million for 5 months and brought forward loss of Rs.19.27 million of the Bank, the carried forward profit would be Rs.1.34 million. Quite a good performance right in the first year!



During the year your Bank added nine (9) branches raising the total to twenty branches. The branch expansion will continue raising the number to 120 by 2013, covering all important towns and cities of Pakistan.

Rating by PACRA

Based upon the rating process completed immediately after the amalgamation, The Pakistan Credit Rating Agency Limited (PACRA) has upgraded the Bank's long term rating from "BBB-" (Triple B Minus) to "A-" (Single A Minus) and short term rating from "A 3" (A Three) to "A 2" (A Two). These ratings reflect your bank's managerial capabilities, financial strength and potential capacity to establish a niche in the increasingly competitive commercial banking sector. This strength flows from the established investment banking platform and the group's image and franchise and established business relationships to create a captive clientele.

Human Resource

The merged entity has a compliment of 247 human resource. Your Bank places great importance on recruitment of quality staff and their continuous development through education and training. During the year training needs of staff were identified and Master Training Plan was developed. Over 150 management staff attended both functional as well as management development courses and seminars. Customised courses such as Introduction to Commercial Banking and SBP Prudential Regulations were specially designed for relevant staff members. In-house courses such as Target Setting Workshop and training in the Core Banking System were also arranged. 2 staff members among 30 from the group completed the ATLAS-LUMS Diploma in Business Management Programme developed specially for preparing middle managers for senior management positions.

Atlas Capital Markets (Pvt.) Ltd. (ACM)

ACM is wholly owned subsidiary of Atlas Bank. It is engaged in equity and money market brokerage, distribution of mutual fund units and advisory services. It has seats at Karachi Lahore and Islamabad Stock Exchanges and enjoys the reputation of being one of the leading corporate brokers of the country. It has a well established Research Department.

Before merger of Atlas Investment Bank into Atlas Bank, brokerage business was part of Atlas Investment Bank. On March 8, 2006, the brokerage business was separated into a wholly owned subsidiary i.e. Atlas Capital Markets (Pvt.) Ltd., which consequently became a subsidiary of Atlas Bank.

ACM has a paid up capital of Rs.300 million. During the period from March 8, 2006 to December 31, 2006, ACM earned a net profit of Rs. 41.700 million before tax. After provision for tax the net profit stood at Rs.22.864 million.

ACM has a highly talented, qualified and experienced team of professionals to serve its large base of local and foreign individual and corporate client of repute. I see a great potential of growth in ACM business.

The Board of Directors

The Board of your Directors consists of very senior bankers and professionals. Mr. Sherali Mundrawala and Mr. Tariq Iqbal Khan joined in December, 2005 and Mr. S. Salim Raza in June, 2006. Towards the end of the year 2006, Mr. M. Moazzam Khan, the CEO, resigned and Mr. Abdul Aziz Rajkotwala joined in his place. Mr. Rajkotwala is a seasoned banker with wide experience in core banking in and outside Pakistan. I welcome him and all the directors and thank them for their valuable time, guidance, help and support. I also thank Mr. M. Moazzam Khan for his valuable contribution and wish him success in his future endeavors.

Future Outlook

When we took over the Bank, it had 11 branches which have now increased to 20. We plan to expand the network to 120 by 2013. Quality staff is being recruited and necessary training is being provided. Technology is also being up graded to provide the quality products and services to our clients with an emphasis on systems and net working.

In the short and medium term our emphasis will continue to be on SMEs and commercial banking segments. As we build our branch network and deposit base we will also be preparing to launch focused and aggressive consumer financing ranging from secured to unsecured products starting 2008.

The economy is doing well and so is the banking sector. However, the rising deposit costs and growing competition will demand effectiveness and efficiency of management in all the disciplines of banking activities. Quality of human resource, their education and training, up gradation of technology, product innovation and customer service will make the difference. We will have to differentiate ourselves in the market place. I take this opportunity to assure you that your management is fully aware of the challenges ahead and is highly motivated and geared up to keep their heads high:

انسان کو اتنا ہی ملے گا جتنی اس نے کوشش کی
(one gets what one deserves)

Acknowledgment

I would like to thank the Board of Directors, The State Bank of Pakistan and the Securities and Exchange Commission of Pakistan for their help, support and guidance. I also thank the CEO, Mr. Abdul Aziz Rajkotwala and his management team for their sincerity, dedication and commitment. I also thank the financial institutions, clients and the shareholders for the trust and confidence reposed in your Bank.



Yusuf H. Shirazi

DIRECTORS' REPORT

The directors of your Bank take pleasure in presenting their report together with the Audited Financial Statements and Auditors' Report thereon for the year ended December 31, 2006.

Financials

The financials of your Bank for the year ended December 31, 2006 under review are summarized as follows:

	2006 Rs. in '000	2005 Rs. in '000 (Restated)
Operating (loss)/profit before provision and taxation	(82,641)	12,102
Provisions	(58,195)	(2,576)
(Loss)/ profit before taxation	<u>(140,836)</u>	<u>9,526</u>
(Provision)/reversal of provision for taxation	149,518	(5,738)
Profit after taxation	<u>8,682</u>	<u>3,788</u>
Accumulated loss brought forward	<u>(19,273)</u>	<u>(22,303)</u>
	<u>(10,591)</u>	<u>(18,515)</u>
Appropriations:		
Transfer to statutory reserve	(1,736)	(758)
Accumulated loss carried forward	<u>(12,327)</u>	<u>(19,273)</u>
Earnings per share (Rupees)	<u>0.04</u>	<u>0.03</u>

Dividend

Due to the accumulated losses outstanding as on December 31, 2006 the Board of Directors are not recommending any dividend payout for the year ending December 31, 2006.

Operating and Financial Data

The Bank was incorporated on July 17, 2003 and commenced operation in March' 2004. Its Operating and Financial data and key ratios are annexed.

Employees Provident Fund

The Bank has recognized provident fund for its employees. The value of investments stand at Rs.54.47 million (including Rs.33.20 million profit accrued on government securities) as of December 31, 2006.

Gratuity Scheme

The Bank has a Non-Contributory Gratuity Fund Scheme for its management employees. The value of investments as on December 31, 2006 is Rs.14.99 million.

Chairman's Review

The review included in the Annual Report deals inter alia with the performance of the Bank for the year ended December 31, 2006 and future prospects. The directors endorse the contents of the review.

Board of Directors

The Board comprises of one executive and six non-executive Directors. All the directors keenly take interest in the proper stewardship of the Bank's affairs. All non-executive Directors are independent from management.

No transaction in the Bank's shares have been reported by the Directors, CEO, CFO, Company Secretary and their spouses and minor children during the year. However, following shares were received by the directors against their holdings in the Atlas Investment Bank Limited in accordance with the SWAP Ratio 1:3.14.

Mr. Yusuf H. Shirazi.	2,238,198
Mr. Frahim Ali Khan.	659
Mr. Saquib H. Shirazi.	26,842,126
Mr. Sherali Mundrawala.	14,679

During the year Seven (7) Board meetings were held and attended as follows:

Director	Meeting attended	Appointment / Cessation during the year	
Mr. Yusuf H. Shirazi	7		
Mr. Frahim Ali Khan	7		
Mr. Jawaid Iqbal Ahmed	1	Appointment	w.e.f 06-03-2006
		Cessation of office	w.e.f 01-06-2006
Mr. M. Naeem Khan	1	Cessation of office	w.e.f 06-03-2006
Mr. Saquib H. Shirazi	5		
Mr. Sherali Mundrawala	7		
Mr. S. Salim Raza	4	Appointment	w.e.f 01-06-2006
Mr. Tariq Iqbal Khan	1		
Mr. M. Moazzam Khan	6	Cessation of office	w.e.f 06-11-2006.

Mr. Abdul Aziz Rajkotwala is appointed as Chief Executive Officer of the Bank in place of Mr. M. Moazzam Khan w.e.f January 3, 2007.

Auditors

The present Auditors M/s Ford Rhodes Sidat Hyder & Co. Chartered Accountants, retire and being eligible, offer themselves for reappointment. The Audit Committee recommends that they be appointed as Auditors for the year 2007.

Pattern of Shareholding

The pattern of shareholding of the Bank is annexed.

Compliance with the Code of Corporate Governance and Transfer Pricing as contained in the Listing Regulations of Stock Exchanges

The Directors confirm the compliance of the requirements of the Code of Corporate Governance and Transfer Pricing as set out by the Karachi, Lahore and Islamabad Stock Exchanges in their Listing Regulations, relevant for the year ended December 31, 2006. Separate statements to these effects are annexed.

Statement of Directors' Responsibilities

The Board regularly reviews the Bank's strategic direction. Annual plans and performance targets for business are set by the Chief Executive and are reviewed in total by the Board in the light of the Bank's overall objectives. The Board is committed to maintain the high standards of good corporate governance. The Bank has been in compliance with the provisions set out by the State Bank of Pakistan, Securities & Exchange Commission of Pakistan and the listing regulations of the Stock Exchanges. There has been no material departure from the best practices of corporate governance, as detailed in the listing regulations.

Financial Statements

The financial statements, prepared by the management of the Bank, fairly present its state of affairs, the results of its operations, cash flows and changes in equity.

Books of Accounts

The Bank has maintained proper books of accounts.

Accounting Policies

Appropriate accounting policies have been consistently applied in the preparation of the financial statements, and accounting estimates are based on reasonable and prudent judgement.

International Accounting Standards

International Accounting Standards, as applicable in Pakistan, have been followed in preparation of financial statements.

Internal Control System

The system of internal control is sound in design and has been effectively implemented and monitored.

Going Concern

There is no doubt about the Bank's ability to continue as a going concern.

Statement on Internal Controls

The statement on internal controls of the Bank is annexed.

Risk Management Framework

In compliance with the requirements of the State Bank of Pakistan, we have focused on strengthening the risk management at the obligor, transaction, and portfolio levels. The Board of Directors has approved the risk management and internal control policies and a dedicated Risk Management Division (RMD) has been created. With the rapid growth in assets, independent and well proven processes have been put in place for risk identification, measurement, monitoring and control and are strictly adhered to, enabling us to proactively address potential problems at an early stage.

Atlas Bank is committed to implementing the Basel II requirements and following centralized top-down implementation approach. We plan to use Basel II to facilitate change management towards best-in-class risk management; spread Basel II and risk knowledge across the organization. While implementing Basel II, the focus is on strengthening partnership among Business, Operations, Technology, Risk and Finance functions.

Credit Rating

Based on the rating process completed immediately after the merger, of Atlas Investment Bank Limited with the Bank, the Pakistan Credit Rating Agency Limited (PACRA) has upgraded the Bank's long term credit rating to "A-" (Single A Minus) and short term rating to A2 (A two).

BOARD COMMITTEES**Executive Committee**

The Board Executive Committee reviews and monitors all matters pertaining to banking business and banking operations, particularly to review and monitor the objectives, strategies and business plans. It oversees all affairs of the bank to ensure that these are carried out prudently within the frame work of existing laws and regulations.

Audit Committee

The Audit Committee assists the Board of Directors in discharging their responsibilities towards the Bank. Audit Committee's responsibilities include reviewing reports of the Bank's financial results, monitoring internal audit functions and compliance with relevant statutory requirements, assisting the Board of Directors in discharging their responsibilities for safeguarding of Bank's assets, development and implementation of an effective internal control system.

Credit Committee

The Credit Committee considers and approves credit proposals (funded/non-funded) that exceed the limits of the banks internal credit committee with in the limits approved by the Board from time to time.

Human Resource Committee

The Human Resource Committee reviews and recommends Human Resource policies and procedures, staff rules, compensation, training and development programs and retention strategies to the Board.

MANAGEMENT COMMITTEES

Management Committee

The Management Committee acts at the operating level in an advisory capacity to the Chief Executive, providing recommendations relating to the business and other corporate affairs. The committee is responsible for reviewing and forwarding long term plans, capital and expense budget development and stewardship of business plans. The committee is also responsible for maintaining a healthy environment within the Bank as well as outside the Bank through channeling its financing and investments to projects producing environment friendly products.

Credit Committee

The Credit Committee approves all credit proposals involving funded/non-funded exposures upto the limit set by the board from time to time. It reviews sectorial and group exposures and takes corrective measures to ensure they are within limits. The committee also ensures adequacy of controls placed to identify and address the problems in a timely manner.

Asset & Liability Committee (ALCO)

ALCO manages the structure and composition of Bank's assets and liabilities and decides about product pricing for deposits and advances. It reviews maturity profile and mix of short term/ long term assets and liabilities and foresees interest rates and review funding policy of the Bank. The committee also takes decisions on investment related matters as per Policy approved by BOD and decides strategies for forex position/rates etc.

Human Resource Committee

Its function is to ensure that policy guidelines provided by the Board's Human Resource Committee are followed, transparency in the entire process and function of human resource exist and to oversee policy implementation relating to personnel including, but not limited to, recruitment, training, promotion, cash award compensation, retirement and disciplinary cases.

Information Technology (IT) Steering Committee

The committee oversees effective use of IT resources to support business objectives, identifies IT related risks and provide guidance in designing and modifying the IT policy to cope with the related risks. It also ensures implementation of IT Guidelines issued by the State Bank of Pakistan from time to time.

Risk Management Committee

The committee focuses and coordinates risk management activities throughout the bank in order to facilitate the identification, evaluation, control and management of all key business risks particularly credit, market, operational and liquidity risks. The committee review and approve risk strategy for various risks and related significant risk policies. It determines risk reward trade off ('risk appetite'). It also identifies and analyzes existing and potential risks inherent in any product/activity. The committee is responsible for implementation of Basel II and determine adequacy of capital levels and provide a mechanism for risk management issues to be discussed and disseminated to all parts of the Bank.

Communication

Communication with the shareholders is given a high priority. Annual, half yearly and quarterly reports are distributed to them regularly. The Bank also has a web site (www.atlasbank.com.pk), which contains up to date information of the Bank.

Safety and Environment

The Bank follows the safety and environment rules and regulations.

For and on Behalf of the
Board of Directors



Yusuf H. Shirazi
Chairman

Karachi: March 2, 2007

**STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE
FOR THE YEAR ENDED DECEMBER 31, 2006**

This statement is being presented to comply with the Code of Corporate Governance under the Regulation G-1 of the Prudential Regulation for Corporate / Commercial Banking issued by the State Bank of Pakistan and as contained in the listing regulations of Karachi, Lahore and Islamabad Stock Exchanges for the purpose of establishing a framework of good governance, whereby a listed company is managed in compliance with the best practices of corporate governance.

The Bank has applied the principles contained in the Code in the following manner:

1. The Bank encourages representation of independent non-executive directors and directors representing minority interests on its Board of Directors. At present the Board consists of seven directors out of which six are non-executive directors.
2. The directors have confirmed that none of them is serving as a director in more than ten listed companies, including the Bank, except Mr. Tariq Iqbal Khan who has been exempted for the purpose of this clause by Securities & Exchange Commission of Pakistan.
3. All the directors of the Bank are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or NBFC. No director in the board is a member of any of the stock exchanges in Pakistan.
4. Casual vacancies occurred during the year were filled-up by the directors within 30 days thereof except one Director where vacancy was filled after receiving requisite approval from the State Bank of Pakistan.
5. The Bank has adopted a 'Code of Business Principles', which has been distributed to and acknowledged by all the directors and employees of the Bank.
6. The Bank is in the process of developing a vision / mission statement. Overall corporate strategy and significant policies of the Bank has been developed. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.
7. All the powers of the Board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the Chief Executive Officer and an Executive Director, have been taken by the Board.
8. The meetings of the Board were presided over by the Chairman who is a non-executive director and the Board met at least once in every quarter. Written notices of the Board meetings, along with agenda and working papers, were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.
9. The directors of the Bank are aware about their fiduciary responsibilities and have attended Orientation courses on the Code of Corporate Governance organized by the State Bank of Pakistan.
10. The Board has approved appointment of Chief Financial Officer, Company Secretary and Head of Internal Audit, including their remuneration and terms and conditions of employment, as determined by the Chief Executive Officer.
11. The Directors' Report for the period ended December 31, 2006 has been prepared in compliance with the requirements of the Code and fully describes the salient matters required to be disclosed.
12. The financial statements of the Bank were duly endorsed by the Chief Executive Officer and Chief Financial Officer before approval of the Board.
13. The Directors, Chief Executive Officer and Executives do not hold any interest in the shares of the Bank other than that disclosed in the pattern of shareholding.
14. The Bank has complied with all the corporate and financial reporting requirements of the Code.

15. The Board has formed an Audit Committee comprising of three (3) Non-Executive Directors as members including the Chairman of the committee.
16. The meetings of the Audit Committee were held once every quarter prior to approval of interim and final results of the Bank and as required by the Code. The terms of reference of the Committee have been formed and advised to the Committee for compliance.
17. The Board has set-up an effective internal audit function manned by suitably qualified and experienced personnel who are conversant with the policies and procedures of the Bank and are involved in the internal audit function on a full time basis.
18. The statutory auditors of the Bank have confirmed that they have been given a satisfactory rating under the quality control review program of the Institute of Chartered Accountants of Pakistan, that they or any of the partners of the firm, their spouses and minor children do not hold shares of the Bank and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by Institute of Chartered Accountants of Pakistan.
19. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the listing regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.
20. We confirm that all other material principles contained in the Code have been complied with.

For and on behalf of the
Board of Directors



Abdul Aziz Rajkotwala
Chief Executive Officer

Karachi: March 2, 2007



**STATEMENT OF COMPLIANCE WITH THE BEST PRACTICES ON TRANSFER PRICING
FOR THE YEAR ENDED DECEMBER 31, 2006**

The Bank has fully complied with the best practices on Transfer Pricing as contained in the listing regulations of Karachi, Lahore and Islamabad Stock Exchanges.

For and on behalf of the
Board of Directors

A handwritten signature in black ink, appearing to read 'Abdul Aziz Rajkotwala'.

Abdul Aziz Rajkotwala
Chief Executive Officer

Karachi: March 2, 2007

REVIEW REPORT TO THE MEMBERS ON STATEMENT OF COMPLIANCE WITH BEST PRACTICES OF CODE OF CORPORATE GOVERNANCE

We have reviewed the Statement of Compliance with the best practices contained in the Code of Corporate Governance (the Code) for the year ended December 31, 2006 prepared by the Board of Directors of Atlas Bank Limited [Formerly Dawood Bank Limited] (the Bank) to comply with the Regulation G-1 of the Prudential Regulation for Corporate/Commercial Banking issued by the State Bank of Pakistan, Listing Regulation No. 37 of the Karachi Stock Exchange, Chapter XIII of the Lahore Stock Exchange and Chapter XI of the Islamabad Stock Exchange where the Bank is listed.

The responsibility for compliance with the Code is that of the Board of Directors of the Bank. Our responsibility is to review, to the extent where such compliance can be objectively verified, whether the Statement of Compliance reflects the status of the Bank's compliance with the provisions of the Code and report if it does not. A review is limited primarily to inquiries of the Bank personnel and review of various documents prepared by the Bank to comply with the Code.

As part of our audit of financial statements we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We have not carried out any special review of the internal control system to enable us to express an opinion as to whether the Board's statement on internal control covers all controls and the effectiveness of such internal controls.

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Bank's compliance, in all material respects, with the best practices contained in the Code as applicable to the Bank, for the year ended December 31, 2006.

Karachi: March 2, 2007



FORD RHODES SIDAT HYDER & Co.
CHARTERED ACCOUNTANTS

STATEMENT ON INTERNAL CONTROLS

Basis of Internal Control System

It is the basic requirement of bank's management to ensure implementation of an effective internal control system which is instrumental in determining achievement of the corporate objectives. The internal control system encompasses the policies, procedures, tasks, behaviors, discipline and other aspects taken together. It ensures effective operation enabling the organization to respond proficiently to the significant business, operational, financial and other risks encountered during the course of achieving the corporate objectives.

A properly designed and effectively enforced system of internal control ensures implementation of corporate policies, procedures and directives. It reduces the possibility of significant errors, lapses and irregularities. With proactive approach of identifying the signals and indications of developing trouble, it helps to adopt timely preventive / remedial measures. It also provides internal control quality standards and mechanism to all the managerial and supervisory levels of responsibility within the organization.

Evaluation of Existing Internal Control System

The bank has made all-out efforts during the year 2006 for implementation of an effective and well-designed internal control system which was materialized to a large extent. Various policies and procedures have already been formulated, approved and implemented while some other are in the process of finalization.

In the formulation of policies and procedures we have taken due cognizance of the observations and exceptions by the internal auditors as well as SBP Inspection Team and have issued necessary directives to all the functionaries of the bank emphasizing upon non-recurrence of the reported weaknesses.

**For and on behalf of the
Board of Directors**



Abdul Aziz Rajkotwala
Chief Executive Officer

Karachi: March 2, 2007

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of Atlas Bank Limited [Formerly Dawood Bank Limited] (the Bank) as at December 31, 2006, and the related profit and loss account, statement of changes in equity and cash flow statement, together with the notes forming part thereof (here-in-after referred to as the 'financial statements') for the year then ended, in which are incorporated the unaudited certified returns from the branches except for two branches which have been audited by us and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

It is the responsibility of the Bank's management to establish and maintain a system of internal control, and prepare and present the above said statements in conformity with approved accounting standards and the requirements of the Banking Companies Ordinance, 1962 (LVII of 1962), and the Companies Ordinance, 1984 (XLVII of 1984). Our responsibility is to express an opinion on these statements based on our audit.

We conducted our audit in accordance with the auditing standards as applicable in Pakistan. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the above said statements are free of any material misstatement. An audit includes examining on a test basis, evidence supporting the amounts and disclosures in the above said statements. An audit also includes assessing the accounting policies and significant estimates made by management, as well as, evaluating the overall presentation of the above said statements. We believe that our audit provides a reasonable basis for our opinion and after due verification, which in case of loans and advances covered more than sixty percent of the total loans and advances of the Bank, we report that:

- (a) in our opinion, proper books of account have been kept by the Bank as required by the Companies Ordinance, 1984 (XLVII of 1984) and the returns referred to above received from the branches have been found adequate for the purposes of our audit;
- (b) in our opinion:
 - (i) the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Banking Companies Ordinance, 1962 (LVII of 1962), and the Companies Ordinance, 1984 (XLVII of 1984), and are in agreement with the books of account and are further in accordance with accounting policies consistently applied except for the change stated in note 5.1 to the financial statements with which we concur;
 - (ii) the expenditure incurred during the year was for the purpose of the Bank's business; and
 - (iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the Bank and the transactions of the Bank which have come to our notice have been within the powers of the Bank;
- (c) in our opinion, and to the best of our information and according to the explanations given to us the balance sheet, profit and loss account, statement of changes in equity and cash flow statement together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan and give the information required by the Banking Companies Ordinance, 1962 (LVII of 1962), and the Companies Ordinance, 1984 (XLVII of 1984), in the manner so required and respectively give a true and fair view of the state of the Bank's affairs as at December 31, 2006 and of the profit, changes in equity and its cash flows for the year then ended; and
- (d) in our opinion, zakat deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980) was deducted by the Bank and deposited in the Central Zakat Fund established under Section 7 of that Ordinance.

The financial statements of the Bank for the year ended December 31, 2005 were audited by another firm of chartered accountants, who rendered unqualified opinion on the said financial statements in their audit report dated February 11, 2006.

KARACHI: March 2, 2007



FORD RHODES SIDAT HYDER & Co.
CHARTERED ACCOUNTANTS

BALANCE SHEET

AS AT DECEMBER 31, 2006

	Note	2006 ------(Rupees '000)-----	2005 (Restated)
ASSETS			
Cash and balances with treasury banks	6	601,079	202,970
Balances with other banks	7	191,742	30,056
Lendings to financial institutions	8	3,500,844	4,847,386
Investments	9	3,645,195	1,735,015
Advances	10	7,833,786	799,411
Operating fixed assets	11	301,401	126,644
Deferred tax assets		-	8,708
Other assets	12	946,539	201,529
		17,020,586	7,951,719
LIABILITIES			
Bills payable	13	50,158	25,602
Borrowings	14	4,025,949	4,096,777
Deposits and other accounts	15	8,842,946	2,186,005
Sub-ordinated loans		-	-
Liabilities against assets subject to finance lease		-	-
Deferred tax liabilities - net	16	78,368	-
Other liabilities	17	1,024,875	113,955
		14,022,296	6,422,339
NET ASSETS		<u>2,998,290</u>	<u>1,529,380</u>
REPRESENTED BY			
Share capital	18	3,125,916	1,537,000
Reserves		2,494	758
Accumulated loss		(12,327)	(19,273)
		3,116,083	1,518,485
(Deficit) / Surplus on revaluation of assets - net of tax	19	(117,793)	10,895
		<u>2,998,290</u>	<u>1,529,380</u>
CONTINGENCIES AND COMMITMENTS	20		

The annexed notes 1 to 46 form an integral part of these financial statements.



 Abdul Aziz Rajkotwala
Chief Executive



 Yusuf H. Shirazi
Chairman



 Sherali Mundrawala
Director



 S. Salim Raza
Director


PROFIT AND LOSS ACCOUNT


FOR THE YEAR ENDED DECEMBER 31, 2006

	Note	2006 ------(Rupees '000)-----	2005 (Restated)
Mark-up / Return / Interest Earned	22	892,583	380,135
Mark-up / Return / Interest Expensed	23	763,083	242,286
Net Mark-up / Interest Income		129,500	137,849
Provision against non-performing loans and advances	10.4	54,875	2,576
Provision for diminution in the value of investments	9.3	3,320	-
Bad debts written off directly		-	-
		58,195	2,576
Net Mark-up / Interest Income after provisions		71,305	135,273
NON MARK-UP / INTEREST INCOME			
Fee, Commission and Brokerage Income		10,200	2,998
Dividend Income		15,819	6,250
Income from dealing in foreign currencies		12,253	313
Gain on sale of securities	24	57,030	-
Unrealized loss on revaluation of investments classified as held for trading	9.2.8	(2,602)	-
Other income	25	3,888	1,241
Total non mark-up / interest income		96,588	10,802
		167,893	146,075
NON MARK-UP / INTEREST EXPENSES			
Administrative expenses	26	308,205	130,907
Other provisions / write offs		-	5,552
Other charges	27	524	90
Total non mark-up / interest expenses		308,729	136,549
		(140,836)	9,526
Extraordinary / unusual items		-	-
(LOSS) / PROFIT BEFORE TAXATION		(140,836)	9,526
Taxation - Current		8,217	1,902
- Prior years	28.2	(105,934)	-
- Deferred		(51,801)	3,836
	28	(149,518)	5,738
PROFIT AFTER TAXATION		8,682	3,788
Accumulated loss brought forward		(19,273)	(22,303)
Accumulated loss before appropriation of statutory reserve		(10,591)	(18,515)
Earnings per share - Basic and diluted (Rupee)	29	0.04	0.03

The annexed notes 1 to 46 form an integral part of these financial statements.


Abdul Aziz Rajkotwala
Chief Executive


Yusuf H. Shirazi
Chairman


Sherali Mundrawala
Director


S. Salim Raza
Director

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED DECEMBER 31, 2006

	Issued, subscribed and paid-up share capital	Advance against future issue of share capital	Statutory reserve	Accumulated (loss) / profit	Total
	----- (R u p e e s ' 0 0 0) -----				
Balance as at January 1, 2005	1,060,000	-	-	(25,480)	1,034,520
Effect of change in accounting policy (Note 5.1)	-	-	-	3,177	3,177
Restated balance as at January 1, 2005	1,060,000	-	-	(22,303)	1,037,697
Received during the year	-	477,000	-	-	477,000
Issue of share capital	477,000	(477,000)	-	-	-
Profit after taxation for the year ended December 31, 2005 - restated (Note 5.1 & 45)	-	-	-	3,788	3,788
Transfer to statutory reserve	-	-	758	(758)	-
Restated balance as at December 31, 2005	1,537,000	-	758	(19,273)	1,518,485
Issue of share capital upon amalgamation (Refer Note 1.3)	1,588,916	-	-	-	1,588,916
Profit after taxation for the year ended December 31, 2006	-	-	-	8,682	8,682
Transfer to statutory reserve	-	-	1,736	(1,736)	-
Balance as at December 31, 2006	3,125,916	-	2,494	(12,327)	3,116,083

The annexed notes 1 to 46 form an integral part of these financial statements.



 Abdul Aziz Rajkotwala
Chief Executive



 Yusuf H. Shirazi
Chairman



 Sherali Mundrawala
Director



 S. Salim Raza
Director

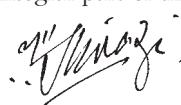
CASH FLOW STATEMENT

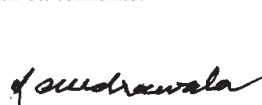
FOR THE YEAR ENDED DECEMBER 31, 2006

	Note	2006 ----- (Rupees '000) -----	2005 ----- (Rupees '000) -----
CASH FLOWS FROM OPERATING ACTIVITIES			
(Loss) / profit before taxation		(140,836)	9,526
Less: Dividend income		(15,819)	(6,250)
		(156,655)	3,276
Adjustment:			
Depreciation	26	17,901	9,627
Amortisation	26.2	36,649	16,568
Provision Against Non-Performing Advances - specific	10.4	55,830	339
Provision for Diminution in the value of investments	9.3	3,320	-
Gain on disposal of fixed assets	11.5	(839)	(83)
(Reversal) / provision for consumer financing - general	10.4	(955)	2,237
Lease hold improvements written off		-	5,552
		111,906	34,240
		(44,749)	37,516
(Increase) / Decrease in operating assets			
Lendings to financial institutions		2,761,542	(2,425,726)
Held for trading securities		(472,409)	-
Advances		(2,451,093)	(744,370)
Other assets (excluding current taxation)		(46,751)	(115,072)
		(208,711)	(3,285,168)
Increase / (Decrease) in operating liabilities			
Bills payable		24,556	8,962
Borrowings		(2,999,997)	1,917,263
Deposits		3,261,264	1,953,342
Other liabilities		250,214	(108,688)
		536,037	3,770,879
		282,577	523,227
Payment of provision against off-balance sheet obligation		-	-
Income tax paid		(30,796)	(14,754)
Net cash flow from operating activities		251,781	508,473
CASH FLOW FROM INVESTING ACTIVITIES			
Net investment in available for sale securities		(279,916)	(352,275)
Net investment in held to maturity securities		394,035	(361,888)
Dividend received		15,020	6,250
Investments in operating fixed assets		(115,412)	(112,782)
Sale proceeds of operating fixed assets	11.5	5,395	868
Net cash flow from / (used in) investing activities		19,122	(819,827)
CASH FLOW FROM FINANCING ACTIVITIES			
Issue of shares		-	477,000
Net cash flow from financing activities		-	477,000
Increase in cash and cash equivalents			
Cash and cash equivalents at beginning of the year		270,903	165,646
Cash and cash equivalents acquired upon amalgamation	1.4	233,026	67,380
Cash and cash equivalents acquired upon amalgamation	1.4	288,892	-
Cash and cash equivalents at end of the year	30	792,821	233,026

The annexed notes 1 to 46 form an integral part of these financial statements.


Abdul Aziz Rajkotwala
Chief Executive


Yusuf H. Shirazi
Chairman


Sherali Mundrawala
Director


S. Salim Raza
Director

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2006

1. STATUS AND NATURE OF BUSINESS

- 1.1 The Bank was incorporated in Pakistan on July 17, 2003 as Dawood Bank Limited, a Public Limited Company (unlisted) under the Companies Ordinance, 1984 with the object of conducting banking business and related services. The Bank commenced its commercial operations effective March 25, 2004. During the year 2005, the majority shareholding of the Bank held by Dawood Group was acquired by Shirazi Investments (Private) Limited, a company of the Atlas Group, with the consent of the State Bank of Pakistan (SBP). The Bank's name was changed to Atlas Bank Limited on March 6, 2006. The registered office of the Bank is situated at Third Floor, Federation House, Sharae Firdousi, Clifton, Karachi and it operates with 20 branches in Pakistan. Effective October 16, 2006, the Bank has been listed at the Karachi, Lahore and Islamabad Stock Exchanges.
- 1.2 During the year, the Bank has increased its authorised share capital from Rs.2,000 million (200,000,000 ordinary shares of Rs.10/- each) to Rs.5,000 million (500,000,000 ordinary shares of Rs.10/- each) as approved by shareholders in their general meeting held on March 14, 2006.
- 1.3 With effect from July 29, 2006, Atlas Investment Bank Limited (AIB), a public listed company engaged in business of investment finance services and leasing, has been amalgamated into the Bank in accordance with the scheme of amalgamation under section 48 of the Banking Companies Ordinance, 1962, as sanctioned by the SBP. Accordingly,
- The entire undertaking of AIB inclusive of all its assets, liabilities and obligations have been transferred into and vested in the Bank;
 - 158,891,642 ordinary shares of Rs.10/- each of the Bank have been issued to the share holders of AIB i.e. in the ratio of 3.14 ordinary shares of the Bank for each share of AIB, as consideration of the amalgamation; and
 - AIB has been dissolved without winding up.

On March 8, 2006, the brokerage segment of AIB inclusive of all assets, licenses and liabilities was transferred to a wholly owned subsidiary of AIB - Atlas Capital Markets (Private) Limited (ACM). Consequent to amalgamation of AIB with the Bank, ACM became the subsidiary of the Bank with 100% shareholding.

- 1.4 The amalgamation has been accounted for under the 'acquisition method' as laid down by International Accounting Standard - 22 "Business Combinations" (applicable in Pakistan).

The fair values of assets acquired and liabilities assumed as of the effective date of amalgamation are as follows:

	Note	Rs. in '000
ASSETS		
Cash and balances with treasury banks		153,927
Balances with other banks		134,965
Lendings to financial institutions		1,415,000
Investments		1,715,622
Advances		4,638,157
Fixed assets		84,496
Other assets		95,425
Total Assets		8,237,592
LIABILITIES		
Borrowings		2,929,169
Deposits and other accounts		3,395,677
Deferred tax liabilities - net		170,600
Other liabilities		692,184
Total Liabilities		7,187,630
NET ASSETS		1,049,962
CONSIDERATION (cost of acquisition)		
Shares issued (158,891,642 shares @ Rs.10/- each)	18.2	1,588,916
GOODWILL ON AMALGAMATION (Note 5.7)		538,954

- 1.5 Based upon the rating process completed immediately after the amalgamation, The Pakistan Credit Rating Agency Limited has upgraded the Bank's long term rating to "A-" (Single A Minus) and short term rating to "A 2" (A Two).

2. BASIS OF PRESENTATION

These financial statements have been prepared in conformity with the format of financial statements prescribed by SBP vide BSD Circular No. 04 dated February 17, 2006. In accordance with the directives of the Federal Government regarding the conversion of the banking system to Islamic modes, the SBP has issued various circulars from time to time. Permissible forms of trade-related modes of financing include purchase of goods by banks from their customers and immediate resale to them at appropriate mark-up in price on deferred payment basis. The purchases and sales arising under these arrangements are not reflected in these financial statements as such but are restricted to the amount of facility actually utilised and the appropriate portion of mark-up thereon.

3. STATEMENT OF COMPLIANCE

- 3.1 These financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan and the requirements of the Companies Ordinance, 1984 and the Banking Companies Ordinance, 1962. Approved accounting standards comprise of such International Accounting Standards (IAS) and International Financial Reporting Standards (IFRS) as notified under the provisions of the Companies Ordinance, 1984. Wherever the requirements of the Companies Ordinance, 1984, Banking Companies Ordinance, 1962 or directives issued by the Securities and Exchange Commission of Pakistan and the SBP differ with the requirements of these standards, the requirements of the Companies Ordinance, 1984, Banking Companies Ordinance, 1962 or the requirements of the said directives take precedence.
- 3.2 The SBP as per BSD Circular No. 10, dated August 26, 2002 has deferred the applicability of International Accounting Standard 39, Financial Instruments: Recognition and Measurement (IAS 39) and International Accounting Standard 40, Investment Property (IAS 40) for Banking companies till further instructions. Accordingly, the requirements of these standards have not been considered in the preparation of these financial statements. However, investments have been classified and valued in accordance with the requirement of various circulars issued by SBP.

4. BASIS OF MEASUREMENT

These financial statements have been prepared under the historical cost convention, except that certain investments have been marked to market and are carried at fair value as stated in note 5.5 below.

The preparation of financial statements requires management to make judgements, estimates and assumptions that effect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the result of which form the basis of making judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revision to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in period of the revision and future periods if the revision affects both current and future periods.

Judgments made by management in the application of accounting policies that have significant effect on the financial statements and estimates with a significant risk of material adjustment are explained in the relevant accounting policies / notes in the financial statements.

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

5.1 Change in accounting policy

During the year, the Bank has changed its accounting policy in respect of amortization of premium / discount on debt securities which are now amortised using effective interest method. Previously, such amortization was based on straight line method. The management is of the opinion that the changed policy provides reliable and more relevant information and is also consistent with the local industry practice. This change in accounting policy has been applied retrospectively in accordance with IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors" and the corresponding information has been restated. The effect of change in accounting policy on current and prior periods is tabulated below:

Effect on Profit and Loss account

	For the year ended December 31, 2006 -----	For the year ended December 31, 2005 ----- (Rupees '000)	For the periods upto December, 31 2004 -----
Increase in Mark-up income	2,023	4,224	3,177

Effect on Balance Sheet

	As at December 31, 2006 ----- (Rupees '000)	As at December 31, 2005 -----
Increase in carrying value of investments	9,424	7,401
Increase in equity	9,424	7,401

5.2 Cash and cash equivalents

Cash and cash equivalents represents cash and balances with treasury and other banks.

5.3 Lendings to financial institutions / borrowings

The Bank enters into transactions of reverse repos and repos at contracted rates for a specified period of time. These are recorded as under:

Purchase under resale obligation

Securities purchased with a corresponding commitment to resell at a specified future date (reverse repos) are not recognised in the balance sheet. Amounts paid under these obligations are included in reverse repurchase agreement lendings. The difference between purchase and resale price is accrued as income over the term of the reverse repos agreement.

Sale under repurchase obligation

Securities sold with a simultaneous commitment to repurchase at a specified future date (repos) continue to be recognised in the balance sheet and are measured in accordance with accounting policies for investments. Amounts received under these agreements are recorded as repurchase agreement borrowings. The difference between sale and repurchase price is amortised as expense over the term of the repos agreement.

Other borrowings

These are recorded at the time of receipt. Mark-up paid on such borrowings is charged to the profit and loss account over the period of borrowings.

5.4 Trade and settlement date accounting

All 'regular way' purchases and sales of financial assets are recognised on the trade date, i.e. the date on which commitment to purchase / sale is made by the Bank. Regular way purchases or sales of financial assets are those, the contract for which requires delivery of assets within the time frame generally established by regulation or convention in the market place.

5.5 Investments

Investment in subsidiaries are stated at cost less provision for impairment, if any, in the value. Other investments in securities are classified as follows:

Held-for-trading

These represent securities, which are either acquired for the purpose of generating profit from short-term fluctuations in prices or dealer's margin or are securities included in the portfolio in which a pattern of short-term profit making exists.

Held-to-maturity

These are securities with fixed or determinable payments and maturity in respect of which the Bank has the positive intent and ability to hold to maturity.

Available-for-sale

These represent securities, which do not fall under the held for trading or held to maturity categories.

In accordance with the requirements of the SBP, quoted securities other than those classified as held to maturity are carried at market value. Investments classified as held to maturity are carried at amortised cost. Unquoted securities where active market does not exist are valued at cost less impairment, if any.

Further, in accordance with the requirements of the SBP, surplus / deficit on revaluation of the Bank's held for trading financial investments portfolio is taken to the profit and loss account. The surplus / deficit arising on quoted securities classified as available for sale is kept in a separate account shown in the balance sheet below equity.

Provision for diminution in the values of securities is made after considering impairment, if any, in their value.

Investments are de-recognised when the right to receive cash flows from the investments have expired or have been transferred and the Bank has transferred substantially all risks and rewards of ownership.

5.6 Advances including net investment in finance lease

Loans and Advances

Advances are stated net of general and specific provision.

Specific provision is made for non-performing advances in accordance with the requirements of the Prudential Regulations issued by the SBP. The Bank also maintains general provision for potential losses of consumer financing portfolio as required by the Prudential Regulations issued by the SBP.

Finance lease receivables

Leases where the Bank transfers substantially all the risks and rewards incidental to ownership of an asset to the lessee are classified as finance leases. A receivable is recognised at an amount equal to the present value of the lease payments, including guaranteed residual value, if any. Finance lease receivables net of related provisions are included in loans and advances to customers.

Repossessed assets

The Bank occasionally repossesses leased assets in settlement of non-performing finances provided to customers. These are stated at lower of the original cost of the related asset, exposure to the Bank and net realisable value of the asset repossessed. Gains or losses on disposal are taken to income currently unless recoverable from / payable to the customer.

5.7 Goodwill

Goodwill represents the difference between the cost of acquisition and the fair value of the Bank's share of net identifiable assets of the acquired entity at the date of acquisition. It is amortised using the straight line basis over a period of 10 years commencing from the effective date of amalgamation. At each balance sheet date, goodwill is reviewed for indication of impairment or changes in estimated future benefits. If such indication exists, an analysis is performed to assess whether the carrying amount of goodwill is fully recoverable or not. A writedown is made if the carrying amount exceeds the recoverable amount.

5.8 Operating fixed assets and depreciation

Tangible

These are stated at cost less accumulated depreciation and any impairment, if any. Such costs include the cost of replacing parts of fixed assets when that cost is incurred. Maintenance and normal repairs are charged to income as and when incurred. Depreciation is charged to income over the useful life of the asset on a systematic basis applying the reducing balance method at the rates specified in note 11.2 to the financial statements.

Depreciation on additions is charged from the month in which the assets are put to use while no depreciation is charged in the month in which the assets are disposed off.

During the year, the Bank revised its estimates of useful lives of fixed assets and changed its depreciation method from straight line method to reducing balance method. These revisions and change in accounting estimates have been accounted for prospectively in accordance with IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors". Had there been no changes in estimates, the depreciation charge for the year would have been higher and accumulated loss would be higher by Rs.8.14 million.

The carrying amounts are reviewed at each balance sheet date to assess whether they are recorded in excess of their recoverable amounts, and where carrying values exceed estimated recoverable amount, assets are written down to their estimated recoverable amount.

An item of fixed asset is derecognised upon disposal or when no future economic benefits are expected from its use or disposal.

The assets residual values, useful lives and methods are reviewed and adjusted, if appropriate, at each financial year end.

Gains and losses on disposals, if any, of assets are included in income currently.

Intangible

These are stated at cost less accumulated amortisation and impairment, if any. Amortisation is charged over the useful life of the asset on a systematic basis to income applying the reducing balance method at the rate specified in note 11.4 to the financial statements.

Amortisation on additions is charged from the month in which the assets are put to use while no amortisation is charged in the month in which the assets are deleted.

During the year, the Bank revised its estimate of useful life and changed its amortisation method from straight line method to reducing balance method. These revision and changes in accounting estimates have been accounted for prospectively in accordance with IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors". Had there been no changes in estimates, the amortisation charge for the year would have been higher and accumulated loss would be higher by Rs.1.87 million.

Software and other development costs are only capitalised to the extent that future economic benefits are expected to be derived by the Bank.

The carrying amounts are reviewed at each balance sheet date to assess whether they are recorded in excess of their recoverable amounts, and where carrying values exceed estimated recoverable amount, assets are written down to their estimated recoverable amount.

Intangible assets having an indefinite useful life are carried at cost and are not amortised.

Capital work in progress

Capital work-in-progress is stated at cost.

Assets given on operating lease

These are stated at cost less accumulated depreciation and impairment, if any. Such costs include the cost of replacing parts of fixed assets when that costs is incurred. Maintenance and normal repairs are charged to income as and when incurred. Depreciation is charged to income over the useful life of the asset on a systematic basis applying the reducing balance method at the rates similar to those applicable to tangible assets.

The carrying amounts are reviewed at each balance sheet date to assess whether they are recorded in excess of their recoverable amounts, and where carrying values exceed estimated recoverable amount, assets are written down to their estimated recoverable amount. Depreciation on additions is charged from the month in which the assets are put to use while no depreciation is charged in the month in which the assets are disposed off.

5.9 Taxation

Current

Provision for current taxation is based on the taxable income for the year determined in accordance with the prevailing laws for taxation on income. The charge for the current tax is calculated using prevailing tax rates. The charge for tax also includes adjustments, where considered necessary relating to prior years.

Deferred

Deferred tax is recognised using the balance sheet liability method on all temporary differences arising between tax bases of assets and liabilities and their carrying amounts appearing in the financial statements. A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefits will be realized.

Deferred tax is calculated at the rates that are expected to apply to the year when the differences reverse, based on tax rates that have been enacted or substantively enacted by the balance sheet date. Deferred tax is charged or credited to the profit and loss account.

Deferred tax, if any, on revaluation of investments is recognised as an adjustment to surplus / (deficit) arising on revaluation.

5.10 Provisions

Provisions are recognised when the Bank has a legal or constructive obligation as a result of past events, it is more likely than not that an outflow of resources will be required to settle the obligation and a reliable estimate of the amount can be made. Provisions are reviewed at each balance sheet date and are adjusted to reflect the current best estimate.

5.11 Staff retirement benefits

Defined benefit plan

The Bank operates an un-approved funded gratuity scheme for its management employees. The liability recognised in the balance sheet in respect of defined benefit gratuity scheme, is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets, together with adjustments for unrecognised actuarial gains or losses and past service costs. The defined benefit obligation is calculated periodically by independent actuaries using the projected unit credit method.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions in excess of the greater of 10% of the value of plan assets or 10% of the defined benefit obligation are charged or credited to income over the employees' expected average remaining working lives.

Defined contribution plan

The Bank operates an approved funded contributory provident fund for all its permanent employees to which equal monthly contributions are made both by the Bank and the employees at the rate of 11% per annum of basic salary. The Bank has no further payment obligations once the contributions have been paid. The contributions made by the Bank are recognised as employee benefit expense when they are due.

Staff retirement benefits are payable to staff on completion of prescribed qualifying period of service under these schemes.

Employee compensated absences

Employee entitlements to annual leaves are recognized when they accrue to employees. A provision is made for the estimated liability for annual leaves as a result of services rendered by employees upto the balance sheet date.

5.12 Derivatives

Derivative financial instruments are recognized at fair value. In the case of equity futures, the fair value is calculated with reference to quoted market price. Derivatives with positive market values (unrealised gains) are included in other receivables and derivatives with negative market values (unrealised losses) are included in other liabilities in the balance sheet. The resultant gains and losses are taken to income currently.

5.13 Revenue recognition

Profit and return on regular advances and investments is recognised on accrual basis. Profit on classified advances is recognised on receipt basis. Profit on rescheduled / restructured advances is recognised as prescribed by the Prudential Regulations issued by the SBP.

Income on net investment in finance lease is recognised over the term of the lease so as to reflect a constant periodic rate of return on the net investment outstanding in respect of the lease. Income on classified finance lease is recognised on receipt basis in compliance with the Prudential Regulations issued by SBP.

Operating lease rentals are recognized on accrual basis.

Fee, commission and brokerage income is recognised when earned.

Dividend income from investments is recognised when Bank's right to receive the dividend is established.

Gains and losses on sale of investments are included in income currently.

All exchange differences are recognised in income.

5.14 Foreign currencies translation

Foreign currency transactions are recorded at exchange rates approximating those ruling on the date of the transaction. Monetary assets and liabilities in foreign currencies are translated at the rates of exchange which approximate those prevailing at the balance sheet date. Gains and losses on translation are taken to income currently.

5.15 Off Setting of financial assets and financial liabilities

Financial assets and liabilities are set off and the net amount is reported in the financial statements when there exists a legally enforceable right to set off and the Bank intends either to settle the assets and liabilities on a net basis or to realize the assets and to settle the liabilities simultaneously.

5.16 Related party transactions

Transactions with related parties are at arm's length prices except for transactions with executives that are undertaken in accordance with their terms of employment.

5.17 Fiduciary assets

Assets held in a fiduciary capacity are not treated as assets of the Bank in these financial statements.

5.18 Accounting standards not yet effective

The Bank has not applied the following accounting standards that have been issued by the International Accounting Standards Board (IASB), but are not yet effective.

5.18.1 International Accounting Standards (IASs)

The amendments to existing standards applicable to the Bank have been published that are mandatory for the Bank's accounting periods beginning on or after January 01, 2007 or later periods:

- IAS 1 - Presentation of Financial Statements
- Capital Disclosures

The Bank expects that the above amendments to the standards will have no significant impact on the Bank's financial statements in the period of initial application.

5.18.2 International Financial Reporting Standards (IFRSs)

A new series of standards called "International Financial Reporting Standards (IFRSs)" have been introduced and eight IFRSs have been issued by IASB under such series. Out of these following four IFRSs have been adopted by Institute of Chartered Accountants of Pakistan (ICAP) and also adopted by the SECP and hence would be effective from January 01, 2007:

- IFRS-2 (Share based Payments);
- IFRS-3 (Business Combinations);
- IFRS-5 (Non-current Assets held for Sale and Discontinued Operations); and
- IFRS-6 (Exploration for and Evaluation of Mineral Resources).

5.19 Segment reporting

A segment is a distinguishable component of the Bank that is engaged either in providing products or services (business segment), or in providing product or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments. The segment reporting format have been determined and prepared in conformity with the format of financial statements and guidelines, prescribed by the SBP vide BSD Circular No. 04 of 2006 dated February 17, 2006.

5.20 Deferred costs

Deferred costs are amortised over the life of the instrument or five years from the year of incurrence on straight line basis, whichever is less.

	Note	2006 ------(Rupees '000)-----	2005
6. CASH AND BALANCES WITH TREASURY BANKS			
In hand			
- local currency		45,591	54,916
- foreign currency		39,884	14,504
With SBP in	6.1		
- local currency current account		488,481	126,992
- foreign currency current account		2,250	2,378
- foreign currency deposit account - special cash reserve	6.2	18,722	3,135
- cash reserve		6,091	1,045
With National Bank of Pakistan in			
- local currency current account		60	-
		<u>601,079</u>	<u>202,970</u>

6.1 These balances are maintained to comply with the requirements of the SBP issued from time to time.

6.2 Represents mandatory reserves with SBP. This carries profit at the rate of 4.50% (2005: 1.40% to 2.69%) per annum.

7. BALANCES WITH OTHER BANKS

In Pakistan			
- On current accounts		2,389	440
- On deposit accounts	7.1	4,789	-
Outside Pakistan			
- On current accounts		184,564	29,616
		<u>191,742</u>	<u>30,056</u>

7.1 Included herein are various deposits with other banks and carry mark-up rates ranging from 0.25% to 2% (2005: Nil) per annum.

8. LENDINGS TO FINANCIAL INSTITUTIONS

Call money lendings		-	292,190
Repurchase agreement lendings (Reverse Repos)	8.2	2,306,795	3,705,196
Certificates of Investment	8.3	100,000	450,000
Letters of placement	8.4	382,114	400,000
Treasury deposit receipts	8.5	711,935	-
		<u>3,500,844</u>	<u>4,847,386</u>
8.1 Particulars of lending			
In local currency		3,488,909	4,847,386
In foreign currency		11,935	-
		<u>3,500,844</u>	<u>4,847,386</u>

8.2 Securities held as collateral against lendings to financial institutions (Reverse Repos)

Note	2006			2005			
	Held by Bank	Further given as collateral	Total	Held by Bank	Further given as collateral	Total	
	------(Rupees '000)-----						
Market Treasury Bills	8.2.1	1,209,572	947,223	2,156,795	161,365	1,846,831	2,008,196
Pakistan Investment Bonds	8.2.2	-	150,000	150,000	-	1,075,000	1,075,000
Term Finance Certificates		-	-	-	111,000	-	111,000
Shares of listed companies		-	-	-	511,000	-	511,000
		<u>1,209,572</u>	<u>1,097,223</u>	<u>2,306,795</u>	<u>783,365</u>	<u>2,921,831</u>	<u>3,705,196</u>

- 8.2.1 Market Treasury Bills have been purchased under resale agreements at rates ranging from 8.20% to 8.90% (2005: 7.50% to 8.40%) per annum with maturities upto March 2007.
- 8.2.2 Pakistan Investment Bonds have been purchased under resale agreements at rates ranging from 9.05% to 9.15% (2005: 8.00% to 8.80%) per annum with maturities upto February 2007.
- 8.3 This represents certificates of investment of financial institutions at rates ranging from 12.10% to 12.20% (2005: 10.55% to 17.00%) per annum with maturities upto February 2007.
- 8.4 This represents letters of placement with financial institutions at rates ranging from 11.50% to 12.90% (2005: 10.00% to 11.00%) per annum with maturities upto January 2007.
- 8.5 This represents placements in treasury deposit receipts of financial institutions at rates ranging from 5.06% to 12.50% (2005: Nil) per annum with maturities upto April 2007.

9. INVESTMENTS

Note	2006			2005		
	Held by Bank	Given as collateral	Total	Held by Bank	Given as collateral	Total
	----- (Rupees '000) -----					
9.1 INVESTMENTS BY TYPES						
Held-for-trading securities						
Listed Companies (ordinary shares) 9.2.3	125,011	-	125,011	-	-	-
Mutual Funds (units / certificates) 9.2.7	350,000	-	350,000	-	-	-
	475,011	-	475,011	-	-	-
Available-for-sale securities						
Listed Companies (ordinary shares) 9.2.3	131,496	127,822	259,318	-	-	-
Mutual Funds (units / certificates) 9.2.7	128,720	-	128,720	60,000	-	60,000
Term Finance Certificates 9.2.5 & 9.2.6	328,646	541,940	870,586	394,834	-	394,834
Pakistan Investment Bonds 9.2.1	567,594	479,969	1,047,563	-	-	-
Market Treasury Bills 9.2.2	46,004	414,992	460,996	-	-	-
Unlisted Companies (ordinary shares) 9.2.4	31,000	-	31,000	-	-	-
	1,233,460	1,564,723	2,798,183	454,834	-	454,834
Held-to-maturity securities						
Pakistan Investment Bonds	-	-	-	-	884,205	884,205
Term Finance Certificates - unlisted - Dewan Cement Ltd. 9.2.6	135,247	-	135,247	-	-	-
Market Treasury Bills	-	-	-	229,397	155,684	385,081
	135,247	-	135,247	229,397	1,039,889	1,269,286
Subsidiary						
Unlisted Company - Atlas Capital Markets (Pvt.) Ltd. 1.3 & 9.2.4	396,942	-	396,942	-	-	-
Investments at cost	2,240,660	1,564,723	3,805,383	684,231	1,039,889	1,724,120
Less: Provision for Diminution in value of Investments 9.3	(8,069)	-	(8,069)	-	-	-
Investments (Net of Provisions)	2,232,591	1,564,723	3,797,314	684,231	1,039,889	1,724,120
Deficit on revaluation of						
Held-for-trading securities 9.2.8	(2,602)	-	(2,602)	-	-	-
(Deficit) / surplus on revaluation of Available-for-sale securities 19	(84,920)	(64,597)	(149,517)	10,895	-	10,895
Total investments at market value	2,145,069	1,500,126	3,645,195	695,126	1,039,889	1,735,015

9.2 INVESTMENTS BY SEGMENTS	Note	2006 ------(Rupees '000)-----	2005
Federal Government Securities			
- Pakistan Investment Bonds	9.2.1	1,047,563	884,205
- Market Treasury Bills	9.2.2	460,996	385,081
		1,508,559	1,269,286
Fully Paid-up Ordinary Shares			
- Listed Companies (ordinary shares)	9.2.3	384,329	-
- Unlisted Companies (ordinary shares)			
Atlas Capital Markets (Pvt) Ltd. (subsidiary)	9.2.4	396,942	-
Atlas Asset Management Ltd. (related party)	9.2.4	30,000	-
Arabian Sea Country Club	9.2.4	1,000	-
		427,942	-
Term Finance Certificates			
- Listed	9.2.5	772,774	174,838
- Unlisted	9.2.6	233,059	219,996
		1,005,833	394,834
Other Investments			
- Mutual Funds (units / certificates)	9.2.7	478,720	60,000
Total investments at cost		3,805,383	1,724,120
Less: Provision for Diminution in value of Investments	9.3	(8,069)	-
Investments (Net of Provisions)		3,797,314	1,724,120
Deficit on revaluation of Held-for-trading securities	9.2.8	(2,602)	-
(Deficit) / surplus on revaluation of Available-for-sale securities	19	(149,517)	10,895
Total investments at market value		3,645,195	1,735,015

9.2.1 These securities are for a period of ten years. The effective yield on these bonds ranges from 6.22% to 9.58% (2005: 6.2% to 8.20%) per annum with maturities from October 2011 to April 2014.

9.2.2 These securities are for a period of 1 year (2005: 6 months). The effective yield of these bills is 9.00% (2005: Nil) per annum with maturities in December, 2007.

9.2.3 Details of investments in Listed Companies	2006		2005	
	---- (No. of shares) ----	----- (Rupees '000)-----	----- (Rupees '000)-----	----- (Rupees '000)-----
Fully paid up ordinary shares of Rs. 10/- each				
Held-for-trading securities				
Adamjee Insurance Co. Ltd.	53,250	-	8,227	-
Askari Commercial Bank Ltd.	25,000	-	2,508	-
Azgard Nine Ltd.	200,000	-	4,740	-
Bank Alfalah Ltd.	50,000	-	2,428	-
Bank of Punjab	100,000	-	10,520	-
MCB Bank Ltd.	88,000	-	21,330	-
National Bank of Pakistan Ltd.	100,000	-	23,236	-
Nishat Mills Ltd.	2,500	-	220	-
Oil & Gas Development Corp. Ltd.	155,000	-	19,185	-
Pakistan Oilfields Ltd.	50,000	-	17,904	-
Pakistan Petroleum Ltd.	50,000	-	11,552	-
Pakistan Telecommunications Co. Ltd.	75,000	-	3,161	-
Sub Total carried forward			125,011	-

	2006		2005		Rating *	Market value	Cost	
	----- (No. of shares) -----				2006	2006	2006	2005
						----- (Rupees '000) -----		
Sub Total brought forward							125,011	-
Available-for-sale securities								
D.G. Khan Cement Co. Ltd.	170,000	-			N/A	10,702	14,961	-
Engro Chemicals Pakistan Ltd.	250,000	-			AA / A1+	42,250	46,396	-
Eye Television Network Ltd.	1,136,350	-			N/A	10,227	6,932	-
Fauji Fertilizer Company Ltd.	145,000	-			N/A	15,305	16,177	-
Faysal Bank Ltd.	25,000	-			AA / A1+	1,513	1,502	-
Hub Power Company Ltd.	500,000	-			N/A	13,500	12,125	-
Kot Addu Power Company Ltd.	300,000	-			N/A	12,210	12,195	-
Lucky Cement Ltd.	175,000	-			N/A	10,483	19,425	-
Maple Leaf Cement Pref. Shares	30,000	-			N/A	285	225	-
Nishat Mills Ltd.	107,500	-			A+ / A1	9,439	9,824	-
Pakistan Telecommunications Co. Ltd.	600,000	-			N/A	26,580	28,680	-
Pakistan Oilfields Ltd.	90,000	-			N/A	31,478	32,142	-
Pakistan Petroleum Ltd.	140,000	-			N/A	32,480	34,788	-
Pakistan Refinery Ltd.	12,000	-			N/A	2,597	3,390	-
SME Leasing Ltd.	902,350	-			BBB+ / A2	9,745	9,926	-
Sui Northern Gas Pipelines Ltd.	55,400	-			AA- / A1+	3,629	3,844	-
Thal Jute Ltd.	10,000	-			N/A	1,645	1,751	-
Bank of Punjab	29,062	-			AA / A1+	2,943	2,632	-
United Bank Ltd.	15,000	-			AA / A1+	2,303	2,403	-
						239,314	259,318	-
Total investments in listed companies						239,314	384,329	-

* Represents entity rating in case of investment in shares. Wherever rating of shares is not available or in case the shares are unrated, the same has been marked as 'N/A'.

9.2.4 Represents investments in the following un-listed companies:

	Note	Holding %	Net Asset value per share *	Cost	
				2006	2005
				----- (Rupees '000) -----	
Subsidiary					
Atlas Capital Markets (Pvt.) Ltd. Chief Executive Officer: Mr. M. Naeem Khan 30,000,000 ordinary shares of Rs. 10/- each		100	10.76	396,942	-
Related party					
Atlas Asset Management Ltd. Chief Executive Officer: Mr. M. Habib-ur-Rahman Rating: AM 3+ 3,000,000 ordinary shares of Rs. 10/- each	9.2.4.1	12	9.95	30,000	-
Others					
Arabian Sea Country Club Chief Executive Officer: Mr. Arif Ali Khan Abbasi	9.2.4.2	-	-	-	-
				426,942	-

9.2.4.1 This has been classified as strategic investment in accordance with guidelines BPD Circular Letter No. 16 of 2006 dated August 01, 2006.

	No. of shares as at		2006	2005
	Dec. 31, 2006	Dec. 31, 2005		
			----- (Rupees '000) -----	
9.2.4.2 Arabian Sea Country Club	100,000	-	1,000	-
Less: Provision for impairment in value of investments			(1,000)	-
			-	-

The break-up value of shares as of June 30, 2006 based on the audited financial statements was Rs. 9.85 (June 30, 2005: Rs. 4.86).

* Net asset value per share is based on the audited financial statements for the year ended December 31, 2006 in case of Atlas Capital Markets (Pvt.) Ltd and June 30, 2006 in case of Atlas Asset Management Company Ltd.

	2006	2005	Rating *		Market Value		Cost	
			2006	2005	2006	2005	2006	2005
			(No. of certificates)		---- (Rupees '000) ----		---(Rupees '000)---	
9.2.5 Details of investments in Term Finance Certificates - Listed **								
Allied Bank Limited	3,000	-	A	-	15,000	-	15,000	-
Al - Zamin Leasing Modaraba - 1st issue - 1st tranche	4,000	-	A	-	13,600	-	13,600	-
Al - Zamin Leasing Modaraba - 1st issue - 2nd tranche	3,000	-	A	-	15,000	-	15,000	-
Askari Commercial Bank Ltd. - 2nd issue (unsecured)	6,990	6,990	AA	AA	34,936	34,950	34,936	34,950
Azgard Nine Ltd.	2,000	-	A+	-	9,996	-	9,996	-
Bank Alfalah Ltd. - 1st issue (unsecured)	6,803	-	AA-	-	38,375	-	37,636	-
Bank Alfalah Ltd. - 2nd issue (unsecured)	8,079	-	AA-	-	40,364	-	40,364	-
Bank Alfalah Ltd. - 3rd issue (unsecured)	2,000	2,000	AA-	AA-	9,996	10,000	9,996	10,000
Bank Al-Habib Ltd. - 1st issue (unsecured)	3,480	3,480	AA-	AA-	17,386	17,393	17,386	17,393
Bank Al-Habib Ltd. - 2nd issue (unsecured)	7,000	-	AA-	-	35,000	-	35,000	-
Chanda Oil and Gas Securitization Company Ltd.	3,448	-	A	-	14,964	-	14,964	-
Crescent Leasing Corporation Ltd. - 2nd issue	2,000	-	A-	-	10,235	-	10,145	-
Crescent Standard Investment Bank Ltd.	3,000	-	***	-	7,069	-	7,069	-
Escorts Investment Bank Ltd.	5,000	-	A+	-	25,000	-	25,000	-
First Dawood Investment Bank Ltd. - 1st issue - 2nd tranche	3,325	-	AA-	-	16,625	-	17,587	-
IGI Investment Bank Limited (formerly First International Investment Bank Limited)	6,000	3,000	A+	-	30,000	-	30,000	-
Gharibwal Cement Ltd.	5,000	-	A-	-	25,000	-	25,000	-
Ittehad Chemicals Ltd.	3,000	-	A-	-	7,794	-	7,812	-
Jahangir Siddiqui & Company Ltd. - 1st issue (unsecured)	2,000	-	AA+	-	7,491	-	7,491	-
Jahangir Siddiqui & Company Ltd. - 2nd issue (unsecured)	5,000	-	AA+	-	24,975	-	24,980	-
Jahangir Siddiqui & Company Ltd. - 3rd issue	5,000	-	AA+	-	25,000	-	25,000	-
MCB Bank Ltd.	1,957	-	AA	-	10,160	-	10,056	-
Pakistan Mobile Communication (Private) Ltd.	2,000	-	AA-	-	9,998	-	9,998	-
Pakistan Services Ltd.	2,987	-	A	-	8,870	-	8,883	-
Pharmagen Ltd.	5,000	-	A-	-	14,571	-	14,579	-
Searle Pakistan Ltd.	2,000	-	A-	-	9,998	-	9,998	-
Sui Southern Gas Company Ltd. - 2nd issue - 2nd tranche	4,830	-	AA	-	4,504	-	3,979	-
Telecard Ltd.	11,530	-	BBB	-	54,024	-	54,024	-
Trust Leasing & Investment Bank Ltd. - 1st issue	4,000	-	AA	-	15,297	-	15,181	-
Trust Leasing & Investment Bank Ltd. - 2nd issue - 1st tranche	5,128	1,877	AA	AA	15,382	7,508	15,384	7,508
Trust Leasing & Investment Bank Ltd. - 2nd issue - 2nd tranche	6,807	5,000	AA	AA	27,228	25,000	27,228	25,000
Union Bank Ltd. - 1st issue (unsecured)	8,000	-	A+	-	41,533	-	42,997	-
Union Bank Ltd. - 2nd issue (unsecured)	2,587	-	A+	-	12,922	-	12,922	-
Union Bank Ltd. - 3rd issue (unsecured)	10,000	10,000	A+	A+	49,990	50,000	49,990	50,000
United Bank Ltd. (unsecured)	11,000	6,000	AA-	AA-	54,958	29,987	54,958	29,987
World Call Telecom Limited	3,727	-	AA-	-	21,430	-	18,635	-
Total investments in Term Finance Certificates - Listed					774,671	174,838	772,774	174,838

* Represents instrument rating in case of investment in term finance certificates.

** Secured and have face value of Rs. 5,000/- each, unless specified otherwise.

*** Rating suspended by Credit Rating Agency.

9.2.5.1 Other particulars of listed term finance certificates are as follows:

Particulars	Rate	Redemption payment	Redemption terms
Allied Bank Limited	1.90% above 6 Months KIBOR Rate (no floor no cap).	Semi-annually	Eight years from December 6, 2006.
Al - Zamin Leasing Modaraba - 1st issue - 1st tranche	Minimum 8.00% per annum. If modaraba generates profits in excess of 8.00% return, it will be distributed in the same ratio that has been the basis of sharing minimum expected profit.	Semi-annually	Five years from December 24, 2003.
Al - Zamin Leasing Modaraba - 1st issue - 2nd tranche	Minimum 9.50% per annum. If modaraba generates profits in excess of 9.50% return, it will be distributed in the same ratio that has been the basis of sharing minimum expected profit.	Semi-annually	Five years from May 31, 2005.
Askari Commercial Bank Ltd. -2nd Issue	1.50% above 6 Months KIBOR Rate (no floor no cap).	Semi-annually	Eight years from October 31, 2005.
Azgard Nine Limited	2.40% over simple average of six months KIBOR (ask side).	Semi-annually	Seven years from September 20, 2005.
Bank Alfalah Limited - 1st issue (Unsecured)	1.35% over the cut-off yield on the last successful SBP auction of five-years Pakistan Investment Bonds with 10.00% per annum as floor and 15.00% per annum as ceiling.	Semi-annually	Six years from December 19, 2002.
Bank Alfalah Limited - 2nd issue (Unsecured)	1.50% over simple average of six months KIBOR (ask side).	Semi-annually	Eight years from November 23, 2004.
Bank Alfalah Limited - 3rd issue (Unsecured)	1.50% above 6 Months KIBOR Rate (no floor no cap).	Semi-annually	Eight years from November 25, 2005.
Bank Al-Habib Limited - 1st issue (Unsecured)	1.50% above 6 Months KIBOR Rate (Floor of 3.5% per annum Cap of 10% per annum).	Semi-annually	Eight years from July 15, 2004.
Bank Al-Habib Limited - 2nd issue (Unsecured)	1.95% above 6 Months KIBOR Rate (no floor no cap).	Semi-annually	Eight years from February 7, 2007
Chanda Oil and Gas Securitisation Company Limited	3.25% over seven days average of three months KIBOR (ask side) with a floor of 8.95% per annum and a ceiling of 13.00% per annum.	*	Seven years from January 25, 2005.
Crescent Leasing Corporation Limited - 2nd issue	2.00% over the cut-off yield on the last successful SBP auction of five-years Pakistan Investment Bonds with 12.00% per annum as floor and 15.75% per annum as ceiling.	Semi-annually	Put option on the sixtieth month from September 5, 2002 and at the end of every three years thereafter with 30 days notice, and a call option to call the TFCs outstanding on the sixtieth month from the issue date and at the end of every three years thereafter with 30 days notice period.
Crescent Standard Investment Bank Limited	2.00% over SBP discount rate with 10.50% per annum as floor and 13.50% per annum as ceiling.	Semi-annually	Four years from July 8, 2003 with call option exercisable from the eighteenth month till the expiry of thirty-sixth month from the date of public subscription with a 60 days advance notice. A call premium of 0.50% will be offered on the outstanding principal amount.

* First profit payment is payable on semi annual basis. All subsequent profit payments are due on quarterly basis.

Particulars	Rate	Redemption payment	Redemption terms
Escorts Investment Bank Limited	2.50% above 6 Months KIBOR Rate (Floor of 8% p.a. & Cap of 17% p.a. for first three years and 8% & 18% respectively for 4th and 5th year.	Semi-annually	Call option available at any time after the expiry of 2 years from the date of issue.
First Dawood Investment Bank Limited - 1st issue - 2nd tranche	1.75% over SBP discount rate with 12.25% per annum as floor and 16.25% per annum as ceiling.	Semi-annually	Call and put option available on July 27, 2007 and every five years thereafter.
IGI Investment Bank Limited (formerly First International Investment Bank Limited)	2.25% over six months KIBOR (ask side).	Semi-annually	Five years from July 11, 2006.
Gharibwal Cement Limited	3% above 6 months KIBOR Rate.	Semi-annually	Five years from the date of issue.
Ittehad Chemicals Limited	2.50% over SBP discount rate with 7.00% per annum as floor and 12.00% per annum as ceiling.	Semi-annually	Five years from June 27, 2003 with call option exercisable after a period of eighteen months from the last date of public subscription with a 60 days notice period.
Jahangir Siddiqui & Company Limited - 1st issue (unsecured)	1.50% over the cut-off yield on the last successful SBP auction of five-years Pakistan Investment Bonds with 7.50% per annum as floor and 13.00% per annum as ceiling.	Semi-annually	Five years from April 18, 2003 with call option exercisable at any time after the first six months at three months notice. A call premium of 1.00% will be offered on the outstanding principal amount.
Jahangir Siddiqui & Company Limited - 2nd issue (unsecured)	8.29% per annum.	Semi-annually	Five years from November 22, 2004 with call option exercisable at any time from 30th month to the 54th month with 30 days advance notice. A call premium of 1.00% will be offered on the outstanding principal amount.
Jahangir Siddiqui & Co Limited - 3rd issue	2.5% above 6 months KIBOR Rate.	Semi-annually	Five and a half year from November 21, 2006.
MCB Bank Limited	1.50% over the cut-off yield on the last successful SBP auction of five-years Pakistan Investment Bonds with 11.75% per annum as floor and 15.75% per annum as ceiling.	Semi-annually	Five and a half years from August 10, 2003.
Pakistan Mobile Communication (Private) Limited	2.85% over six months KIBOR (ask side).	Semi-annually	Five years from May 31, 2006.
Pakistan Services Limited	2.25% over SBP discount rate with 9.75% per annum as floor and 13.75% per annum as ceiling.	Semi-annually	Five years from November 12, 2003.
Pharmagen Limited	2.50% over the weighted average rate of the last three cut-off rates of five years Pakistan Investment Bonds with 8.50% per annum as floor and 11.50% per annum as ceiling.	Semi-annually	Five years from October 17, 2003. The first principal payment to be made in the 24th month from the date of issue.
Searle Pakistan Limited	2.50% above 6 Months KIBOR Rate (no floor no cap).	Semi-annually	Five years from March 09, 2006.
Sui Southern Gas Company Limited - 2nd issue - 2nd tranche	1.10% over SBP discount rate with 11.50% per annum as floor and 16.00% per annum as ceiling.	Semi-annually	Five years from June 04, 2002.
Telecard Limited	3.75% over simple average of six months KIBOR (ask side).	Semi-annually	Six years from May 27, 2005.
Trust Leasing & Investment Bank Limited - 1st issue	2.00% over SBP discount rate with 9.00% per annum as floor and 14.00% per annum as ceiling.	Semi-annually	Five years from June 3, 2003 with call option exercisable at any time after two and a half years, in whole or in part, from the date of issue with a 30 days notice period.
Trust Leasing & Investment Bank Limited - 2nd issue - 1st Tranche	3.00% over six months KIBOR (ask side) with 6.00% per annum as floor and 10.00% per annum as ceiling.	Semi-annually	Five years from July 17, 2004 with call option exercisable at any time after three years, from the date of issue with a 60 days notice period.
Trust Leasing & Investment Bank Limited - 2nd issue - 2nd tranche	2.00% over six months KIBOR (ask side).	Semi-annually	Five years from November 15, 2005 with call option exercisable at any time after three years, from the date of issue with a 60 days notice period.

Particulars	Rate	Redemption payment	Redemption terms
Union Bank Limited - 1st issue (unsecured)	2.25% over the cut-off yield on the last successful SBP auction of five-years Pakistan Investment Bonds with 11.00% per annum as floor and 15.50% per annum as ceiling.	Semi-annually	Five and a half years from December 21, 2002.
Union Bank Limited - 2nd issue (unsecured)	0.75% over the cut-off yield on the latest cut off yield of five-years Pakistan Investment Bonds conducted by SBP with 5.00% per annum as floor and 10.75% per annum as ceiling.	Semi-annually	Seven years from January 19, 2004.
Union Bank Limited - 3rd issue (unsecured)	1.75% above 6 months KIBOR Rate.	Semi-annually	Seven years from the date of issue.
United Bank Limited (unsecured)	8.45% per annum.	Semi-annually	Eight years from August 10, 2004.
Worldcall Telecom Limited	2.75% above 6 Months KIBOR Rate (no floor no cap).	Semi-annually	Five years from November 28, 2006.

	(No. of certificates)		Rating **		----- (Rupees '000) -----	
	2006	2005	2006	2005	2006	2005
9.2.6 Details of investments in Term Finance Certificates - Un-listed *						
Al-Noor Sugar Mills Limited						
- 1st issue - 2nd tranche	2	1	A-	A-	29,982	19,996
Development Securitization Trust						
- Associated Constructors Limited	5,000	-	BBB-	-	5,556	-
Dewan Cement Limited - Series A	1	-	N/A	-	135,016	-
Dewan Cement Limited - Series B	1	-	N/A	-	231	-
Grays Leasing Limited	3,000	-	N/A	-	5,625	-
New Khan Transport Company (Private) Limited	10	-	N/A	-	8,150	-
Pakistan International Airlines Corporation Limited	4,000	-	N/A	-	18,499	-
Pakistan Mobile Communication (Private) Limited	-	40,000	N/A	N/A	-	200,000
Pakistan Mobile Communication (Private) Limited (unsecured)	5,000	-	N/A	-	20,000	-
Security Leasing Corporation Limited	2,000	-	N/A	-	10,000	-
Total investments in Term Finance Certificates - Un-listed - at cost					233,059	219,996

* Secured and have face value of Rs. 5,000/- each except for Al-Noor Sugar Mills Limited (Rs.10 million and Rs.20 million each), New Khan Transport Company (Private) Limited (Rs.1 million each), Dewan Cement Limited - Series A (Rs.180.91 million each) and Dewan Cement Limited - Series B (Rs.1.03 million each).

** Represents instrument rating in case of investment in term finance certificates. Wherever rating of instrument is not available or in case the instrument is unrated, the same has been marked as 'N/A'.

9.2.6.1 Other particulars of unlisted term finance certificates are as follows:

Particulars	Rate	Profit payment	Redemption terms
Al-Noor Sugar Mills Limited - 1st issue - 2nd tranche Managing Director: Mr. Ismail H. Zakaria	4.20% over six months KIBOR (ask side) with 8.00% per annum as floor and 14% per annum as ceiling.	Semi-annually	Five years from March 31, 2005.
Development Securitization Trust - Associated Constructors Limited	4.00% over thirty days average of three months KIBOR (ask side) with 7.50% per annum as floor and no ceiling.	Quarterly	Two and a half years from September 19, 2004.
Dewan Cement Limited - Series A Chief Operating Officer: Syed Muhammad Ali Khan	2.50% over six months KIBOR (ask side).	Semi-annually	Semi-annually from January 15, 2005.
Dewan Cement Limited - Series B Chief Operating Officer: Syed Muhammad Ali Khan	NIL	NIL	Semi-annually from January 15, 2012.
Grays Leasing Limited Chief Executive Officer: Abdul Rashid Mir	3.75% over the cut off rate of last one year of Treasury Bills with 5.00% per annum as floor and 9.00% per annum as ceiling.	Semi-annually	Four years from January 13, 2004.
New Khan Transport Company (Private) Limited Chief Executive Officer: Mohammad Ashraf	4.50% over seven days of six months KIBOR (ask side) with 8.50% per annum as floor and no ceiling.	Monthly	Monthly from December 1, 2006.
Pakistan International Airlines Corporation Limited Chief Executive Officer: Tariq Kirmani	0.50% over SBP discount rate with 8.00% per annum as floor and 12.50% per annum as ceiling.	Semi-annually	Eight years from February 20, 2003 with call option exercisable at the end of the twenty-fourth, forty-eighth and seventy-second month from the issue date, on either one or all of the above dates, in whole or in part, with a 90 days notice period.
Pakistan Mobile Communications (Private) Limited (Unsecured) Chief Executive Officer: Zohair Khaliq	2.25% over the simple average rate of the last three cut-off rates of six month Treasury Bills with 6.00% per annum as floor and 12.00% per annum as ceiling.	Semi-annually	Five years from September 16, 2003. The first installment falling due on 36th month from the date of disbursement.
Security Leasing Corporation Limited Chief Executive Officer: M. R. Khan	2.40% over six months KIBOR (ask side).	Semi-annually	Five years from March 28, 2006.

	No. of units / certificates		Rating *		Cost	
	2006	2005	2006	2005	2006	2005
	---- (Rupees '000) ----					
9.2.7 Details of investments in mutual funds						
Held-for-trading						
Open ended						
Dawood Money Market Fund	1,904,695	-	5-star	-	200,000	-
Reliance Income Fund	2,937,623	-	N/A	-	150,000	-
					<u>350,000</u>	<u>-</u>

	No. of certificates		Rating *		Market Value		Cost	
	2006	2005	2006	2005	2006	2005	2006	2005
	----- (Rupees '000) -----							
Available-for-sale securities								
Open ended								
Atlas Income Fund (a related party)	60,003	-	5-star	-	31,466	-	30,277	-
Atlas Stock Market Fund (a related party)	58,195	-	5-star	-	32,175	-	32,416	-
Faysal Balance Growth Fund	-	250,000	3-star	N/A	-	31,645	-	25,000
Unit Trust of Pakistan - Fund of Funds	237,488	-	5-star	-	11,687	-	12,235	-
Close ended								
First Dawood Mutual Fund	1,161,500	-	4-star	-	7,376	-	8,080	-
Pakistan Strategic Allocation Fund	2,566,500	2,500,000	4-star	N/A	21,815	29,250	27,215	25,000
PICIC Energy Fund	412,500	1,000,000	N/A	N/A	3,176	10,000	4,125	10,000
UTP-Large Capital Fund	1,796,500	-	4-star	-	14,372	-	14,372	-
					<u>122,067</u>	<u>70,895</u>	<u>128,720</u>	<u>60,000</u>
					<u>122,067</u>	<u>70,895</u>	<u>478,720</u>	<u>60,000</u>

* Represents instrument rating in case of investments in units / certificates. Wherever rating of instrument is not available or in case the instrument is unrated, the same has been marked as 'N/A'.

9.2.8 Unrealised (loss) / gain on revaluation of investments classified as Held-for-trading 2006 2005
---(Rupees '000)---

Listed Companies (ordinary shares)	(3,289)	-
Mutual Funds (units / certificates)	687	-
	<u>(2,602)</u>	<u>-</u>

9.3 Particulars of provision

Opening Balance	-	-
Charge for the year	3,320	-
Reversals	-	-
Transferred upon amalgamation	4,749	-
Closing Balance	<u>8,069</u>	<u>-</u>

9.3.1 Particulars of provision in respect of Type and Segment

Available-for-sale securities		
Term Finance Certificates - Listed	7,069	-
Unlisted Companies (ordinary shares)	1,000	-
	<u>8,069</u>	<u>-</u>

	Note	2006 ------(Rupees '000)-----	2005
10. ADVANCES			
Loans, cash credits, running finances, etc.			
In Pakistan		3,438,305	684,638
Outside Pakistan		-	-
		3,438,305	684,638
Net investment in finance lease			
In Pakistan		3,741,601	52,702
Outside Pakistan		-	-
	10.2	3,741,601	52,702
Bills discounted and purchased (excluding market treasury bills)			
Payable in Pakistan		55,054	66,618
Payable outside Pakistan		67,323	8,918
		122,377	75,536
Financing in respect of Continuous Funding System (CFS)		896,830	-
Advances - gross		8,199,113	812,876
Provision for non-performing advances			
- specific		(356,678)	(10,421)
- general (against consumer financing)		(8,649)	(3,044)
	10.4	(365,327)	(13,465)
Advances - Net of provision		7,833,786	799,411
10.1 Particulars of advances (Gross)			
10.1.1 In local currency		8,131,790	803,958
In foreign currency		67,323	8,918
		8,199,113	812,876
10.1.2 Short term (for upto one year)		2,654,657	438,984
Long term (for over one year)		5,544,456	373,892
		8,199,113	812,876

10.2 Net investment in finance lease

	2006				2005			
	Not later than one year	Later than one and less than five years	Over five years	Total	Not later than one year	Later than one and less than five years	Over five years	Total
	------(Rupees '000)-----							
Lease rentals receivable	455,017	2,976,118	-	3,431,135	10,635	42,058	-	52,693
Residual value	310,536	493,211	-	803,747	-	9,078	-	9,078
Minimum lease payments	765,553	3,469,329	-	4,234,882	10,635	51,136	-	61,771
Financial charges for future period	(64,131)	(429,150)	-	(493,281)	(2,145)	(6,924)	-	(9,069)
Present value of minimum lease payments	701,422	3,040,179	-	3,741,601	8,490	44,212	-	52,702

The direct expenses incurred in relation to a finance lease such as documentation charges, stamp duty etc. are reimbursed to the Bank by the respective lessees and net balance representing excess / short reimbursement, if any, is taken to the profit and loss account. However, there are no material initial direct cost associated with lease receivables.

10.3 Advances include Rs.493.911 million (2005: Rs.13.465 million) which have been placed under non-performing status as detailed below:

Category of classification	2006								
	Classified Advances			Provision Required			Provision Held		
	Domestic	Overseas	Total	Domestic	Overseas	Total	Domestic	Overseas	Total
	----- (Rupees '000) -----								
Other Assets Especially Mentioned	-	-	-	-	-	-	-	-	-
Substandard	110,911	-	110,911	27,728	-	27,728	27,728	-	27,728
Doubtful	52,029	-	52,029	20,478	-	20,478	20,478	-	20,478
Loss	330,971	-	330,971	308,472	-	308,472	308,472	-	308,472
	<u>493,911</u>	<u>-</u>	<u>493,911</u>	<u>356,678</u>	<u>-</u>	<u>356,678</u>	<u>356,678</u>	<u>-</u>	<u>356,678</u>

10.4 Particulars of provision against non-performing advances

	2006			2005		
	Specific	General	Total	Specific	General	Total
	----- (Rupees '000) -----					
Opening balance	10,421	3,044	13,465	10,082	807	10,889
Charge for the year	55,830	-	55,830	339	2,237	2,576
Reversals	-	(955)	(955)	-	-	-
	55,830	(955)	54,875	339	2,237	2,576
Amount written off	(673)	-	(673)	-	-	-
Transferred upon amalgamation	291,100	6,560	297,660	-	-	-
Closing balance	<u>356,678</u>	<u>8,649</u>	<u>365,327</u>	<u>10,421</u>	<u>3,044</u>	<u>13,465</u>

10.4.1 Particulars of provision against non-performing advances

	2006			2005		
	Specific	General	Total	Specific	General	Total
	----- (Rupees '000) -----					
In local currency	356,678	8,649	365,327	10,421	3,044	13,465
In foreign currencies	-	-	-	-	-	-
	<u>356,678</u>	<u>8,649</u>	<u>365,327</u>	<u>10,421</u>	<u>3,044</u>	<u>13,465</u>

10.5 Particulars of write offs

	2006	2005
	----- (Rupees '000) -----	
10.5.1 Against provisions	673	-
Directly charged to profit and loss account	-	-
	<u>673</u>	<u>-</u>
10.5.2 Write offs of Rs.500,000 and above	673	-
Write offs of below Rs.500,000	-	-
	<u>673</u>	<u>-</u>

10.6 Details of loan write off of Rs.500,000 and above

In terms of sub-section 3 of section 33A of the Banking Companies Ordinance, 1962 the statement in respect of written-off loans or any other financial relief of Rs. 500,000 or above allowed to a person(s) during the year ended December 31, 2006 are as under:

S. No.	Name and address of the Borrower	Name of individuals/ partners / directors with N.I.C. No.	Father's / Husband Name	Outstanding liabilities at January 1, 2006				Principal written off	Interest/ Mark-up written off	Other financial relief provided	Total
				Principal	Interest/ Mark-up	Others	Total				
----- (Rupees '000) -----											
1.	Masood Ahmed Bhatti R/O. House No. B-85, Block-B, Kazimabad, Malir Town, Karachi.	449-68-013038	Siddique Ahmed Bhatti	1,685	288	702	2,675	673	288	702	1,663

10.7 Particulars of loans and advances to directors, associated companies, subsidiaries etc.

Debts due by directors, executives or officers of the Bank or any of them either, severally or jointly with any other persons

Balance at beginning of year	564	-
Transferred upon amalgamation	9,611	-
Loans granted during the year	1,368	645
Repayments	(1,159)	(81)
Balance at end of year	10,384	564

Debts due by companies or firms in which the directors of the Bank are interested as directors, partners or in the case of private companies as members

Balance at beginning of year	-	-
Transferred upon amalgamation	27,439	-
Loans granted during the year	23,102	-
Repayments	(3,939)	-
Balance at end of year	46,602	-

Debts due by subsidiary companies, controlled firms, managed modarabas and other related parties

Balance at beginning of year	-	-
Transferred upon amalgamation	9,899	-
Loans granted during the year	375,471	-
Repayments	(496)	-
Balance at end of year	384,874	-

10.7.1

441,860	564
---------	-----

- 10.7.1 Includes Rs. 375.47 million (2005: Nil) representing balance of running finance facility of Rs. 500 million to the subsidiary company. The maximum aggregate balance outstanding during the year in respect of such facility amounts to Rs. 419.60 million.

	Note	2006 ------(Rupees '000)-----	2005
11. OPERATING FIXED ASSETS			
Capital work-in-progress	11.1	55,064	18,536
Property and equipment - own use	11.2	142,831	45,397
Property and equipment - operating lease	11.3	34,319	-
Intangible assets	11.4	69,187	62,711
		301,401	126,644
11.1 Capital work-in-progress			
Civil works		16,363	-
Equipments		7,193	2,196
Advances to suppliers and contractors		31,508	16,340
		55,064	18,536
11.2 Property and equipment - own use			

	2006								
	COST				ACCUMULATED DEPRECIATION				
	As at January 1, 2006	Acquired upon amal- gamation	Additions / (Deletions)	As at December 31, 2006	As at January 1, 2006	Charge for the year / (Deletions)	As at December 31, 2006	Book value as at December 31, 2006	Rate of Depreci- ation (%)
------(Rupees '000)-----									
Furniture, fixtures and equipment	20,048	14,349	19,484	53,881	4,717	3,206	7,923	45,958	10
			-			-			
Vehicles	12,644	16,196	15,298	35,913	3,783	3,755	3,869	32,044	20
			(8,225)			(3,669)			
Leasehold improvements	11,237	9,927	15,839	37,003	1,771	2,591	4,362	32,641	10
			-			-			
Computer and allied equipment	21,729	6,775	20,518	49,022	9,990	6,844	16,834	32,188	30
			-			-			
December 31, 2006	65,658	47,247	71,139	175,819	20,261	16,396	32,988	142,831	
			(8,225)			(3,669)			

	2005							
	COST			ACCUMULATED DEPRECIATION				
	As at January 1, 2005	Additions / (Deletions)	As at December 31, 2005	As at January 1, 2005	Charge for the year / (Deletions)	As at December 31, 2005	Book value as at December 31, 2005	Rate of Depreci- ation (%)
	----- (Rupees '000) -----							
Furniture, fixtures and equipment	11,878	8,597 (427)	20,048	3,240	1,811 (334)	4,717	15,331	10 - 20
Vehicles	8,572	5,015 (943)	12,644	2,584	1,450 (251)	3,783	8,861	20
Leasehold improvements	4,415	14,042 (7,220)	11,237	562	2,877 (1,668)	1,771	9,466	25
Computer and allied equipment	12,375	9,354	21,729	6,501	3,489	9,990	11,739	20-33.33
December 31, 2005	37,240	37,008 (8,590)	65,658	12,887	9,627 (2,253)	20,261	45,397	

11.2.1 Included in cost of operating fixed assets are fully depreciated items in use having cost of Rs. 14.76 million (December 31, 2005: Rs. 16.74 million).

11.2.2 The fair value of property and equipment as per the management estimate is not materially different from the carrying amount.

11.3 Property and equipment - operating lease

	2006								
	COST			ACCUMULATED DEPRECIATION					
	As at January 1, 2006	Acquired upon amal- gamation	Additions / (Deletions)	As at December 31, 2006	As at January 1, 2006	Charge for the year / (Deletions)	As at December 31, 2006	Book value as at December 31, 2006	Rate of Depreci- ation (%)
	----- (Rupees '000) -----								
Equipment	-	35,667	-	35,667	-	1,486	1,486	34,181	10
Computer and allied equipment	-	158	-	158	-	20	20	138	30
December 31, 2006	-	35,825	-	35,825	-	1,506	1,506	34,319	

11.4 Intangible assets

	2006								
	COST			ACCUMULATED DEPRECIATION					
	As at January 1, 2006	Acquired upon amal- gamation	Additions / (Deletions)	As at December 31, 2006	As at January 1, 2006	Charge for the year / (Deletions)	As at December 31, 2006	Book value as at December 31, 2006	Rate of Amorti- sation (%)
	----- (Rupees '000) -----								
Computer software	26,032	1,424	7,747	35,203	15,121	2,695	17,816	17,387	30
Tenancy rights - Note 11.4.1	51,800	-	-	51,800	-	-	-	51,800	
December 31, 2006	77,832	1,424	7,747	87,003	15,121	2,695	17,816	69,187	

	2005							
	COST			ACCUMULATED DEPRECIATION				
	As at January 1, 2005	Additions / (Deletions)	As at December 31, 2005	As at January 1, 2005	Charge for the year / (Deletions)	As at December 31, 2005	Book value as at December 31, 2005	Rate of Amorti- sation(%)
----- (Rupees '000) -----								
Computer software	17,786	8,246	26,032	10,051	5,070	15,121	10,911	20
Tenancy rights - Note 11.4.1	-	51,800	51,800	-	-	-	51,800	
December 31, 2005	17,786	60,046	77,832	10,051	5,070	15,121	62,711	

11.4.1 This represents the consideration paid by the Bank in connection with the transfer of tenancy rights in favour of the Bank in respect of the property situated on the first floor of the Karachi Stock Exchange Building. The ownership of the property rests with Karachi Stock Exchange and the aforementioned payment has only been made for the right to occupy the premises for the purposes of the Bank's business.

These tenancy rights have an indefinite useful life and are carried at cost and not amortised.

11.5 Disposal of assets

Description	Cost	Accumulated depreciation	Book value	Sale proceeds	Profit/ (loss)	Mode of disposal	Particulars of purchaser
Vehicles	1,301	741	560	504	(56)	Bank policy	Mr. M. Moazzam Khan Ex. Chief Executive Officer
	1,209	420	789	789	-	---- do----	----- do-----
	519	26	493	530	37	---- do----	Mr. Fahim Ali Khan Executive Director
	248	12	236	254	18	---- do----	Mr. Kashif Hafeez Employee
	35	2	33	43	10	---- do----	Mr. Salman Rizvi Employee
	969	404	565	765	200	Tender	Col. Waqar Haider B-32, Jafaria Colony, Bund Road, Lahore
	560	118	442	461	19	---- do----	Cap. Rifaqat Ali Khan B-105, Block 3, Clifton Garden No. 1, Karachi.
	560	118	442	462	20	---- do----	----- do-----
	560	118	442	471	29	---- do----	Mr. Zaheer Amin House No. 373, Lane No. 5, Azam Basti, Mehmoodabad, Karachi.
	969	415	554	730	176	---- do----	Mr. Zeeshan Akbar House No 710/11, Fatimah Jinnah Colony, Jamshaid Road 2, New Town, Karachi.
	567	567	-	279	279	---- do----	Mr. Noman Hassan A-98 Block 12, Federal B Area, Karachi.
	728	728	-	107	107	---- do----	Mr. Mohammad Rafiq 264 Tilak Street, Jamshaid Road, Karachi.
Grand total	8,225	3,669	4,556	5,395	839		

	Note	2006 ------(Rupees '000)-----	2005
12. OTHER ASSETS			
Income / Mark-up accrued in local currency		150,232	82,671
Income / Mark-up accrued in foreign currency		149	-
Advances, deposits, advance rent and other prepayments	12.1	98,628	61,207
Advance taxation (payments less provisions)		89,579	18,924
Branch adjustment account		22,532	-
Stationery and stamps on hand		1,409	1,620
Deferred Costs - unamortised balance	12.2	25,609	37,107
Goodwill	1.4 & 12.3	516,498	-
Receivable against sale of securities		34,926	-
Receivable from brokers		6,542	-
Other charges recoverable from lessees		6,446	-
Others		2,070	-
		<u>954,620</u>	<u>201,529</u>
Less: Provision held against other assets	12.4	(8,081)	-
Other Assets (Net of Provision)		<u>946,539</u>	<u>201,529</u>
12.1 Advances			
- for purchase of land	12.1.1	32,000	-
- office rent		52,017	50,928
- others		1,978	72
- Security deposits		11,270	9,090
- Prepayments		1,363	1,117
		<u>98,628</u>	<u>61,207</u>
12.1.1 This represents consideration amount deposited in a Banking Court for purchase of land and building of British Biscuits Company (Private) Limited, in auction proceedings. The confirmation of sale of the property has been challenged by the judgment debtors in the Honourable Lahore High Court. In case the High Court accepts the appeal, the purchase price shall be refunded to the Bank.			
12.2 Balance at the beginning of the year			
		37,107	48,605
Amortisation for the year		(11,498)	(11,498)
Balance at the end of the year		<u>25,609</u>	<u>37,107</u>
This represents the consideration of US Dollars 1 million paid to Bank of Ceylon (BOC), Colombo under the scheme of amalgamation between the Bank and the BOC Pakistan operations sanctioned by the State Bank of Pakistan. This consideration is being amortised over a period of five years from the date of commencement of commercial operations.			
12.3 Balance at the beginning of the year			
		-	-
Addition during the year	1.4	538,954	-
Amortisation for the year		(22,456)	-
Balance at the end of the year		<u>516,498</u>	<u>-</u>
12.4 Provision against other assets			
Opening balance		-	-
Charge for the year		-	-
Reversals		-	-
Amount written off		-	-
Transferred upon amalgamation		8,081	-
		<u>8,081</u>	<u>-</u>

Note	2006 ------(Rupees '000)-----	2005
13. BILLS PAYABLE		
In Pakistan	50,158	25,602
Outside Pakistan	-	-
	50,158	25,602
14. BORROWINGS		
In Pakistan	4,025,949	4,096,777
Outside Pakistan	-	-
	4,025,949	4,096,777
14.1 Particulars of borrowings with respect to currencies		
In local currency	4,025,949	4,096,777
In foreign currencies	-	-
	4,025,949	4,096,777
14.2 Details of borrowings		
Secured		
Borrowings from State Bank of Pakistan under export refinance scheme	14.2.1 425,835	40,000
Borrowings from banks	14.2.2 1,637,402	-
Repurchase agreement borrowings	8.2, 9.1 & 14.2.3 1,962,712	3,806,777
	4,025,949	3,846,777
Unsecured		
Call borrowings	-	250,000
	4,025,949	4,096,777

14.2.1 These represent borrowings from SBP under export refinance scheme at the rate of 6.50% (2005: 7.50%) per annum having maturities upto June 2007.

14.2.2 Secured

Loan 1	14.2.2.2 83,333	-
Loan 2	14.2.2.3 4,167	-
Loan 3	14.2.2.4 100,000	-
Loan 4	14.2.2.5 50,000	-
Loan 5	14.2.2.6 208,333	-
Loan 6	14.2.2.7 225,000	-
Loan 7	14.2.2.8 466,667	-
Running finance facility	14.2.2.9 499,902	-
	1,637,402	-

14.2.2.1 All the loans stated from loan 1 to 3 and 6 to 7 above are secured by pari-passu floating charge on the present and future leased assets, hypothecation of movable assets and receivables of the company and demand promissory notes. Loan 4 is secured against hypothecation of receivables against term finances and loan 5 is secured 50% by pari-passu floating charge on the present and future leased assets, hypothecation of movable assets and receivables of the company, demand promissory notes and 50% by hypothecation of receivables against term finances.

14.2.2.2 This represents the balance of a loan facility of Rs.500,000,000 obtained from a banking company. The loan is repayable in 6 equal semi annual installments which commenced from November 12, 2004 and carries mark-up at six months average KIBOR (ask side) plus 1.00% per annum with no floor and no cap.

14.2.2.3 This represents the balance of a loan facility of Rs.225,000,000 obtained from a banking company. The loan is repayable in 6 equal semi annual installments which commenced from June 26, 2004 and carries mark-up at the rate of last six months Treasury Bills cut-off yield plus 2.50% per annum with a floor of 4.25% per annum and no cap.

14.2.2.4 This represents the balance of a loan facility of Rs.300,000,000 obtained from a banking company. The loan is repayable in 6 equal semi annual installments which commenced from May 03, 2005 and carries mark-up at six months average KIBOR (ask side) plus 1.00% per annum with no floor and no cap.

- 14.2.2.5 This represents the balance of a loan facility of Rs.150,000,000 obtained from a banking company. The loan is repayable in 12 equal quarterly installments which commenced from February 25, 2005 and carries mark-up at six months average KIBOR (ask side) plus 1.25% with no floor and no cap.
- 14.2.2.6 This represents the balance of a loan facility of Rs.500,000,000 obtained from a banking company. The loan is repayable in 12 equal quarterly installments which commenced from June 19, 2005 and carries mark-up at six months average KIBOR (ask side) plus 1.00% per annum with no floor and no cap.
- 14.2.2.7 This represents the balance of a loan facility of Rs.450,000,000 obtained from a banking company. The loan is repayable in 6 semi annual installments which commenced from September 29, 2005 and carries mark-up at the base rate plus 1.00% per annum with no floor and no cap. Base rate shall be six months average KIBOR (ask side) prevailing on the last working day of the preceding six months period for the mark-up due at the end of that period.
- 14.2.2.8 This represents the balance of a loan facility of Rs.800,000,000 obtained from a banking company. The loan is repayable in 12 equal quarterly installments which commenced from December 27, 2005 and carries mark-up at six months average KIBOR rate (ask side) plus 1% per annum with no floor and no cap.
- 14.2.2.9 This represents utilized portion of running finance facility of Rs.500 million under mark-up arrangement from a banking company carrying mark-up rate of 0.50% over three months KIBOR with no floor and no cap. The arrangement is secured by pledge of registered term finance certificates.
- 14.2.3 These represent borrowings at rates ranging from 8.50% to 9.50% (2005: 7.00% to 8.55%) per annum having maturities upto March 2007.

	2006	2005
	------(Rupees '000)-----	
15. DEPOSITS AND OTHER ACCOUNTS		
Customers		
Fixed deposits	2,412,613	470,595
Savings deposits	929,567	430,634
Current accounts – Non-remunerative	399,540	306,693
Margin and other accounts	23,404	7,455
	<hr/> 3,765,124	<hr/> 1,215,377
Financial Institutions		
Remunerative deposits	5,071,593	964,604
Non-remunerative deposits	6,229	6,024
	<hr/> 5,077,822	<hr/> 970,628
	<hr/> 8,842,946	<hr/> 2,186,005
15.1 Particulars of deposits		
In local currency	8,734,074	2,161,605
In foreign currencies	108,872	24,400
	<hr/> 8,842,946	<hr/> 2,186,005
16. DEFERRED TAX LIABILITIES - NET		
Deferred tax credit arising due to:		
Differences in accounting base and tax base of:		
- operating fixed assets	24,420	-
- net investment in finance lease	344,898	-
Deferred tax debits arising in respect of:		
- Provision against other assets	(2,828)	-
- Employee benefits	(4,366)	-
- Deficit on revaluation of investments	(31,724)	-
- Provision against advances	(104,587)	-
- Tax losses	(145,783)	-
- Other deductible temporary differences	(1,662)	-
	<hr/> (290,950)	<hr/> -
	<hr/> 78,368	<hr/> -

	2006	2005
Note	----- (Rupees '000) -----	
17. OTHER LIABILITIES		
Mark-up / return / interest payable in local currency	147,201	29,701
Mark-up / return / interest payable in foreign currency	879	292
Accrued expenses	7,278	5,045
Payable to BOC, Colombo	20,611	21,651
Tax relating to BOC - Pakistan Operations	-	9,294
Branch adjustment account	-	101
Retention money	856	442
Payable to staff gratuity fund	298	457
Security deposits against leases	783,872	9,078
Accrued short term employee benefits	13,251	2,004
Payments from clients / lessees received on account	31,190	-
Others	19,439	35,890
17.1	<u>1,024,875</u>	<u>113,955</u>

17.1 Includes Rs.1.13 million payable to Atlas Capital Markets (Pvt) Limited 'a wholly owned subsidiary'.

18. SHARE CAPITAL

18.1 Authorised capital (Note 1.2)

2006	2005	2006	2005
Number of shares		----- (Rupees '000) -----	
<u>500,000,000</u>	<u>200,000,000</u>	<u>5,000,000</u>	<u>2,000,000</u>
Ordinary shares of Rs 10/- each			

18.2 Issued, subscribed and paid-up capital

2006	2005	2006	2005
Number of shares		----- (Rupees '000) -----	
Ordinary shares of Rs 10/- each			
153,700,000	106,000,000	1,537,000	1,060,000
At the beginning of the year - for cash			
-	47,700,000	-	477,000
Issued during the year for cash consideration			
158,891,642	-	1,588,916	-
Issued during the year other than for cash consideration			
<u>312,591,642</u>	<u>153,700,000</u>	<u>3,125,916</u>	<u>1,537,000</u>
		1.4	

19. (DEFICIT) / SURPLUS ON REVALUATION OF ASSETS - NET OF TAX

Available-for-sale securities

Government securities	(124,759)	-
Listed Companies (ordinary shares)	(20,007)	-
Mutual Funds (units / certificates)	(6,653)	10,895
Term Finance Certificates	1,902	-
	<u>(149,517)</u>	<u>10,895</u>
Related deferred taxation	31,724	-
	<u>(117,793)</u>	<u>10,895</u>

20. CONTINGENCIES AND COMMITMENTS

20.1 Direct credit substitutes

Includes general guarantees of indebtedness, bank acceptances and standby letters of credit serving as financial guarantees for loans and securities issued in favour of :

	2006	2005
	----- (Rupees '000) -----	
i) Government	-	-
ii) Banking companies and other financial institutions	-	-
iii) Others	910,507	-
	910,507	-
20.2 Transaction-related contingent liabilities		
Includes performance bonds, bid bonds, shipping guarantees and standby letters of credit etc. favouring:		
i) Government	8,958	48,221
ii) Banking companies and other financial institutions	6,202	10,000
iii) Others	610,187	227,634
	625,347	285,855
20.3 Other contingencies		
- underwriting of shares and modaraba certificates	15,000	-
- underwriting of TFCs	60,000	-
20.4 Commitment in respect of forward lending		
- commitment to extend credits	1,253,189	-
20.5 Commitment in respect of forward exchange contracts		
- purchase	106,653	-
20.6 Commitment for the acquisition of operating fixed assets	27,106	11,285
20.7 Other commitments for		
- purchase of securities	40,000	-
- financing in respect of continuous funding system	440,975	-

21. DERIVATIVE INSTRUMENTS

The Bank carried out derivative transactions in respect of equity futures and forward rate agreements.

The management is committed to managing risk and controlling business and financial activities in a manner which enables it to maximize profitable business opportunities, avoid or reduce risks, which can cause loss or reputation damage, ensure compliance with applicable laws and regulations and resilience to external events. The Bank's business is conducted within a develop control framework, duly approved by the Board of Directors. The management has developed a structure that clearly defined roles, responsibilities and reporting lines.

The Asset Liability Committee regularly reviews the Bank's risk profile in respect of derivatives. Operational procedures and controls have been established to facilitate complete, accurate and timely processing of transactions and derivative activities. These controls include appropriate segregation of duties, regular reconciliation of accounts, and the valuation of assets and positions. The Bank has established trading limits, allocation processes, operating controls and reporting requirements that are specifically designed to control risk of aggregate positions, assure compliance with accounting and regulatory standards and provide accurate management information regarding these activities.

Accounting policies in respect of derivative financial instruments are prescribed in note 5.12.

		2006 ----- (Rupees '000) -----					
		Interest Rate Swaps		Forward Rate Agreements		FX Options	
		No. of Contracts	Notional Principal	No. of Contracts	Notional Principal	No. of Contracts	Notional Principal
21.1 Product Analysis							
Counterparties							
With banks for							
	Hedging	-	-	-	-	-	-
	Market Making	-	-	2	106,653	-	-
With FIs other than banks							
	Hedging	-	-	-	-	-	-
	Market Making	-	-	-	-	-	-
With other entities for							
	Hedging	-	-	-	-	-	-
	Market Making	-	-	-	-	-	-
Total							
	Hedging	-	-	-	-	-	-
	Market Making	-	-	2	106,653	-	-
		-	-	2	106,653	-	-

21.2 Maturity Analysis

Forward Rate Agreements

Remaining Maturity	No. of Contracts	Notional Principal	Mark to Market		
			Negative	Positive	Net
Upto 1 month	2	106,653	60	-	60
1 to 3 months	-	-	-	-	-
3 to 6 months	-	-	-	-	-
6 months to 1 Year	-	-	-	-	-
1 to 2 Years	-	-	-	-	-
2 to 3 Years	-	-	-	-	-
3 to 5 Years	-	-	-	-	-
5 to 10 Years	-	-	-	-	-
Above 10 Years	-	-	-	-	-

		2006	2005
		----- (Rupees '000) -----	
22. MARK-UP / RETURN / INTEREST EARNED			
On loans and advances to:			
	Customers	464,527	104,829
	Financial institutions	134,223	19,510
On investments in:			
	Available-for-sale securities	91,795	15,869
	Held-to-maturity securities	47,900	89,007
On deposits with financial institutions		5,484	382
On securities purchased under resale agreements		148,654	150,538
		<u>892,583</u>	<u>380,135</u>
23. MARK-UP / RETURN / INTEREST EXPENSED			
Deposits		560,941	42,562
Securities sold under repurchase agreements		97,181	176,555
Borrowings from banks		70,108	-
Other short term borrowings		34,853	23,169
		<u>763,083</u>	<u>242,286</u>

	Note	2006 ------(Rupees '000)-----	2005
24. GAIN ON SALE OF SECURITIES			
Listed companies (ordinary shares)		33,757	-
Mutual funds (units / certificates)		23,273	-
		<u>57,030</u>	<u>-</u>
25. OTHER INCOME			
Net profit on sale of property and equipment	11.5	839	83
Penalty refunded by the State Bank of Pakistan		-	213
Others	25.1	3,049	945
		<u>3,888</u>	<u>1,241</u>
25.1 Includes income from various general banking services such as cheque book charges, cheque return charges, cheque handling charges, rent of lockers etc.			
26. ADMINISTRATIVE EXPENSES			
Salaries, allowances etc.		87,497	33,200
Charge for defined benefit plan	32.1.4	778	979
Contribution to defined contribution plan		4,099	792
Non executive directors' fees		80	-
Rent, taxes, insurance, electricity etc.		58,204	32,262
Legal and professional charges		23,517	4,540
Communications		12,404	8,377
Repairs and maintenance		10,358	7,062
Stationery and printing		5,531	1,494
Advertisement and publicity		8,670	3,221
Donations		-	1,000
Auditors' remuneration	26.1	3,505	562
Depreciation	11.2 & 11.3	17,901	9,627
Amortisation	26.2	36,649	16,568
Brokerage and commission		21,252	6,075
Travelling and motor car expenses		7,544	1,099
Entertainment		1,134	446
Fee and subscription		5,359	149
Security services		2,612	653
Others		1,111	2,801
		<u>308,205</u>	<u>130,907</u>

	Note	2006 ------(Rupees '000)-----	2005
26.1 Auditors' remuneration			
Audit fee - statutory		1,000	200
Review of half yearly financial statements		150	100
Special audit, certifications and other advisory services		1,935	122
Tax services		122	100
Out-of-pocket expenses		298	40
		<u>3,505</u>	<u>562</u>
26.2 Amortisation			
Intangible assets	11.4	2,695	5,070
Deferred cost	12.2	11,498	11,498
Goodwill	12.3	22,456	-
		<u>36,649</u>	<u>16,568</u>
27. OTHER CHARGES			
Penalties imposed by the State Bank of Pakistan		524	90
28. TAXATION			
Current	28.1	8,217	1,902
Prior year	28.2	(105,934)	-
Deferred		(51,801)	3,836
		<u>(149,518)</u>	<u>5,738</u>

28.1 The charge for current tax represents minimum tax in accordance with section 113 of the Income Tax Ordinance, 2001. Accordingly, reconciliation of tax expense with the accounting loss is not presented.

28.2 Above pertains to the following:

Assessment years 2001-2002 and 2002-2003

The Bank had received tax refund amounting to Rs. 22.183 million in respect of the above assessment years and accordingly, included in the prior year taxation.

Assessment years 1997-1998 to 2002-2003, tax years 2003 and 2004

In respect of the above years, the assessments made by the Taxation Officer for the years whereby the assessing officer apportioned / allocated financial expenses against exempt income for the said years. The Bank preferred an appeal against the said orders before the Commissioner of Income Tax (Appeals) which was decided in favour of the Bank. However, the department filed an appeal against the appellate order before the Income Tax Appellate Tribunal (ITAT), Karachi which disapproved the contention of the department and directed the assessing officer to allow expenses against exempt income by identifying their nature and relation amongst the various sources of income. The revised assessments have not been made by the tax department and accordingly, no tax liability in respect thereof exists at the balance sheet date.

According to the legal counsel of the Bank, considering the latest judgement of the Honourable Lahore High Court in a similar case, the action of the tax department will not stand the test of appeal and that there will be favourable outcome on all the issues as the findings of CIT(A) are based on judgements passed by Higher Courts. In view of the above, the management believes that the outcome of the above pending assessments would be favourable and hence, the provisions made in respect of the above matters have been reversed.

	Note	2006 ------(Rupees '000)-----	2005
29. BASIC AND DILUTED EARNINGS PER SHARE			
Profit for the year		8,682	3,788
		Number of shares in thousand	
Weighted average number of ordinary shares in issue		221,610	136,711
		Rupee	Rupee
Earnings per share - Basic and diluted		0.04	0.03

	Note	2006 ------(Rupees '000)-----	2005
30. CASH AND CASH EQUIVALENTS			
Cash and balances with treasury banks	6	601,079	202,970
Balances with other banks	7	191,742	30,056
		792,821	233,026
31. STAFF STRENGTH			
Permanent		221	125
Temporary / on contractual basis		26	27
Total staff strength		247	152

32. DEFINED BENEFIT AND CONTRIBUTION PLANS

32.1 *Defined benefit plan*

32.1.1 Principal actuarial assumptions

The actuarial valuation of the Bank's defined benefit plan based on Projected Unit Credit Actuarial Cost Method was carried out at December 31, 2006. Following are the significant assumptions used in the valuation:

	2006	2005
Discount rate - percent (per annum)	10	9
Expected rate of return on plan assets - percent (per annum)	10	9
Long term rate of salary increase - percent (per annum)	9	9

	2006	2005
	----- (Rupees '000) -----	
32.1.2 Reconciliation of payable to defined benefit plan		
Present value of defined benefit obligation	17,074	1,785
Fair value of plan assets	(14,994)	(1,372)
Net actuarial (loss) / gain is not recognised	(3,772)	44
Payable to subsidiary in respect of transferees	1,990	-
	<u>298</u>	<u>457</u>
32.1.3 Movement in payable to defined benefit plan		
Opening balance	457	545
Charge for the year	778	979
Contribution to fund made during the year	(1,908)	(1,067)
Transferred on amalgamation	971	-
Closing balance	<u>298</u>	<u>457</u>
32.1.4 Charge for defined benefit plan		
Current service cost	668	1,406
Interest cost	463	98
Expected return on plan assets	(311)	(66)
Recognition of transitional assets	-	(459)
Actuarial (gain) / loss recognised	(42)	-
Charge for the year	<u>778</u>	<u>979</u>
32.1.5 Actual return on plan assets	<u>360</u>	<u>7</u>
32.2 Defined contribution plan		

The general description of the plan is included in note 5.11.

33. COMPENSATION OF DIRECTORS AND EXECUTIVES

	President & CEO		Directors		Executives	
	2006	2005	2006	2005	2006	2005
	----- (Rupees '000) -----					
Fees	-	-	-	-	-	-
Managerial remuneration	4,453	1,944	2,079	-	23,195	5,790
Retirement benefits	514	324	199	-	2,029	557
Rent and house maintenance	1,743	875	814	-	9,076	2,605
Utilities	387	225	181	-	2,017	1,255
Medical	6	68	86	-	96	299
Conveyance	22	264	-	-	44	1,301
Other	1,063	447	572	-	-	303
	<u>8,188</u>	<u>4,147</u>	<u>3,931</u>	<u>-</u>	<u>36,457</u>	<u>12,110</u>
Number of persons	<u>1</u>	<u>1</u>	<u>1</u>	<u>-</u>	<u>23</u>	<u>19</u>

In addition to the above, certain executives have been provided with free use of Bank's maintained vehicles and other benefits under the service contracts.

Executives are employees whose basic salary exceeds Rs. 500,000/- in a financial year.

34. FAIR VALUE OF FINANCIAL INSTRUMENTS

34.1 On-balance sheet financial instruments

	2006		2005	
	Book Value	Fair Value	Book Value	Fair Value
	(Rupees '000)			
Assets				
Cash and balances with treasury banks	601,079	601,079	202,970	202,970
Balances with other banks	191,742	191,742	30,056	30,056
Lendings to financial institutions	3,500,844	3,500,844	4,847,386	4,847,386
Investments	3,645,195	3,645,195	1,735,015	1,735,015
Advances	7,695,639	7,695,639	799,411	799,411
Other assets	235,119	235,119	91,761	91,761
	<u>15,869,618</u>	<u>15,869,618</u>	<u>7,706,599</u>	<u>7,706,599</u>
Liabilities				
Bills payable	50,158	50,158	25,602	25,602
Borrowings	4,025,949	4,025,949	4,096,777	4,096,777
Deposits and other accounts	8,842,946	8,842,946	2,186,005	2,186,005
Liabilities against assets subject to finance lease	-	-	-	-
Other liabilities	209,812	209,812	113,955	113,955
	<u>13,128,865</u>	<u>13,128,865</u>	<u>6,422,339</u>	<u>6,422,339</u>

34.2 Off-balance sheet financial instruments

Forward purchase of foreign exchange	106,653	106,593	-	-
Forward landing	1,253,189	1,253,189	-	-
Financing in respect of continuous funding system	440,975	440,975	-	-

The fair value of quoted securities is based on the quoted market price. Fair value of unquoted investments is based on its net assets value of the investee.

Fair value of fixed term financing, other assets, other liabilities and fixed term deposits cannot be calculated with sufficient reliability due to absence of current and active market for assets and liabilities and reliable data regarding market rates for similar instruments. The provision for impairment of advances has been calculated in accordance with the Bank's accounting policy as stated in note 5.6 of these financial statements.

The effective rates and repricing profile & maturity are stated in notes 41 and 42 respectively.

In the opinion of the management, the fair value of the remaining financial assets (with the exception of securities held-to-maturity) and financial liabilities are not significantly different from their carrying values since assets and liabilities are either short term in nature or in the case of customer financing and deposits are frequently repriced.

35. SEGMENT DETAILS WITH RESPECT TO BUSINESS ACTIVITIES

	Corporate Finance	Trading & Sales	Retail Banking	Commercial Banking	Payment & Settlement	Agency Services	Others
	(Rupees in '000)						
December 31, 2006							
Total income	585	617,153	54,409	316,516	503	5	-
Total expenses	-	478,165	178,846	472,996	-	-	-
Net income / (loss) before tax	585	138,988	(124,437)	(156,480)	503	5	-
Segment Assets	-	8,358,746	989,995	7,129,738	-	-	542,107
Segment Non Performing Loans	-	-	41,478	452,433	-	-	-
Segment Provision Required	-	-	20,013	336,665	-	-	-
Segment Liabilities	-	7,146,348	728,193	6,147,755	-	-	-
Segment Return on Assets (ROA) (%)	-	1.66%	-12.57%	-2.19%	-	-	-
Segment Cost of funds (%)	-	10.65%	9.12%	9.46%	-	-	-
December 31, 2005							
Total income	56	351,312	15,170	24,231	78	-	-
Total expenses	-	237,328	85,604	58,389	-	-	-
Net income / (loss) before tax	56	113,984	(70,434)	(34,158)	78	-	-
Segment Assets	-	6,680,448	443,364	790,798	-	-	37,107
Segment Non Performing Loans	-	-	3,387	10,082	-	-	-
Segment Provision Required	-	-	339	10,082	-	-	-
Segment Liabilities	-	5,350,595	406,061	665,683	-	-	-
Segment Return on Assets (ROA) (%)	-	1.71%	-15.89%	-4.32%	-	-	-
Segment Cost of funds (%)	-	5.90%	4.87%	5.31%	-	-	-

36. RELATED PARTY TRANSACTIONS

Related parties comprise of group companies, staff retirement funds, key management personnel and major shareholders of the Bank.

The details of transactions with related parties during the year other than those which have been disclosed elsewhere in these financial statements are as follows:

	2006	2005
	------(Rupees '000)-----	
<u>Key management personnel</u>		
Advances		
As at Jan, 01	363	-
Disbursements	-	420
Transferred upon amalgamation	8,687	-
Repayments	(938)	(57)
As at Dec, 31	8,112	363
Deposits		
As at Jan, 01	-	-
Transferred upon amalgamation	2,864	-
Receipts	15,051	-
Withdrawals	(11,739)	-
As at Dec, 31	6,176	-
Mark-up / return / interest earned	263	-
Mark-up / return / interest expensed	79	-
Shares issued	1,096,220	-
<u>Companies having directors in common with the Bank</u>		
Advances		
As at Jan, 01	-	-
Transferred upon amalgamation	27,439	-
Disbursements	23,102	-
Repayments	(3,939)	-
As at Dec, 31	46,602	-
Running Finance	375,471	-
Deposits		
As at Jan, 01	26,528	4,782
Receipts	3,123,113	150,905
Withdrawals	(2,296,507)	(129,159)
As at Dec, 31	853,134	26,528
Mark-up / return / interest earned	8,038	-
Mark-up / return / interest expensed	8,792	180
Shares issued	37,186	477,000
Rent & other expenses	-	7,902
Insurance premium	2,238	-
Insurance claim received	798	-
Printing & stationary expense	163	-
Purchase of photocopier & PABX	417	-
Purchase of motor vehicles	12,043	-
Advance for purchase of Motor Vehicles	8,976	-
Brokerage expense	17,843	60
Additions to fixed assets	1,139	-
Payments to Atlas Bank Limited - Employees Gratuity Fund	1,908	-
Payments to Atlas Bank Limited - Employees Provident Fund	4,099	-
Operating lease rental income	5,144	-
Facilities in respect of non-funded exposure.	130,626	-

37. CAPITAL ADEQUACY

The risk weighted assets to capital ratio, calculated in accordance with the State Bank's guidelines on capital adequacy was as follows:-

	2006 ------(Rupees '000)-----	2005 ------(Rupees '000)-----
Regulatory Capital Base		
Tier I Capital		
Shareholders Capital/Assigned Capital	3,125,916	1,537,000
Reserves	2,495	758
Unappropriated / unremitted profits (Net of Losses)	(12,327)	(19,273)
Less: Adjustments	(1,031,233)	(37,107)
Total Tier I Capital	2,084,851	1,481,378
Tier II Capital		
Subordinated Debt (upto 50% of total Tier I Capital)	-	-
General Provisions subject to 1.25% of Total Risk Weighted Assets	8,649	5,448
Revaluation Reserve (upto 50%)	-	-
Total Tier II Capital	8,649	5,448
Eligible Tier III Capital	-	-
Total Regulatory Capital (a)	2,093,500	1,486,826

	2006		2005	
	Book Value	Risk Adjusted Value	Book Value	Risk Adjusted Value
	------(Rupees '000)-----			
Risk-Weighted Exposures				
Credit Risk				
Balance Sheet Items:-				
Cash and other liquid Assets	792,821	38,360	233,026	6,011
Money at call	-	-	292,190	58,438
Lending to Financial Institutions	3,500,844	1,194,049	4,555,196	1,472,000
Investments	3,645,195	353,812	1,735,015	-
Loans and Advances	7,833,786	7,554,716	799,411	686,739
Fixed Assets	301,401	301,401	126,644	126,644
Other Assets	946,539	394,137	210,237	108,593
	17,020,586	9,836,475	7,951,719	2,458,425
Off Balance Sheet items				
Loan Repayment Guarantees	97,097	97,097	109,136	109,136
Purchase and Resale Agreements	-	-	622,000	-
Performance Bonds etc	439,287	21,964	43,961	28,981
Revolving Underwriting Commitments	-	-	-	-
Standby Letters of Credit	462,241	231,120	110,865	55,433
Outstanding Foreign Exchange Contracts				
-Purchase	106,653	640	-	-
-Sale	-	-	-	-
Credit risk-weighted exposures	1,105,278	350,820	885,962	186,550
Market Risk				
General market risk		1,752,350		108,365
Specific market Risk		1,320,267		552,577
Market risk-weighted exposures		3,072,617		660,942
Total Risk-Weighted exposures (b)		13,259,912		3,305,917
Capital Adequacy Ratio [(a) / (b) x 100]		15.79		44.97

38. RISK MANAGEMENT

38.1 Credit Risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and will cause the other party to incur a financial loss. The bank has not only well defined credit risk policy manuals and processes but also a system in place to periodically review these policies and processes against market and regulatory requirements. Despite the rapid growth in assets, portfolio quality was kept at an excellent level across all products, accompanied by a solid track record of credit recoveries.

The Bank has a well-defined credit structure duly approved by the Board of Directors under which the credit committee comprising of senior officers with required credit background are operating which critically scrutinize and sanction financing. The bank's credit risk management is based on a highly refined target market and counterparty screening process, supported by ongoing client monitoring, industry analysis and comprehensive portfolio management techniques. In addition to monitoring the cash flow of obligors, the bank manages the credit exposure by entering into collateral arrangements with counterparties in appropriate circumstances, and by limiting the duration of exposure. While managing credit risk exposure, the bank ensures that its customers meet the minimum credit standards defined by the bank's management and through diversification of lending activities to ensure that there is no undue concentration of risks with individuals, or within groups of customers in specific locations or businesses.

The Bank continually assesses and monitors credit exposures to ensure timely identification of potential problem credits. The bank has a credit classification and review system in place to assist in managing the quality of the credit risk within its lending portfolio. The bank follows both objective and subjective criteria of SBP regarding loans classification. The subjective assessment process is based on management's judgment with respect to the borrower's character, activity, cash flow, capital structure, security, quality of management and delinquency. The credit review is done on an ongoing basis. Independent of the Bank's credit and risk management, the recovery efforts against infected portfolio is carried on an ongoing basis through Special Asset Management Department.

38.2 Segment by class of business

	2006					
	Advances (Gross)		Deposits		Contingencies and Commitments	
	Rs. in '000	Percent	Rs. in '000	Percent	Rs. in '000	Percent
Textile	1,398,633	17.06%	10,138	0.11%	288,589	8.30%
Chemical and Pharmaceuticals	263,057	3.21%	45,011	0.51%	8,317	0.24%
Cement	5,725	0.07%	-	-	20,000	0.57%
Sugar	78,811	0.96%	-	-	-	-
Footwear and Leather garments	63,963	0.78%	-	-	-	-
Automobile and transportation equipments	62,053	0.76%	181,442	2.05%	269,536	7.75%
Electronics and Electrical Appliances	154,279	1.88%	1,645	0.02%	209,711	6.03%
Construction	390,310	4.76%	115,117	1.30%	114,920	3.30%
Power (electricity), Gas, Water, Sanitary	358,888	4.38%	40,000	0.45%	23,420	0.67%
Transport, Storage and Communication	461,891	5.63%	153,442	1.74%	284,871	8.19%
Financial	1,330,535	16.23%	5,071,675	57.35%	662,628	19.05%
Insurance	-	-	190,628	2.16%	3,800	0.11%
Services	1,154,861	14.09%	818,009	9.25%	877,677	25.23%
Individuals	613,911	7.49%	1,408,274	15.93%	-	-
Paper & Board	502,081	6.12%	31,685	0.36%	26,093	0.75%
Steel & Engineering	721,192	8.80%	-	-	237,943	6.84%
Others	638,923	7.79%	775,880	8.77%	451,272	12.97%
	8,199,113	100.00%	8,842,946	100.00%	3,478,777	100.00%

38.3 Segment by sector

	2006					
	Advances (Gross)		Deposits		Contingencies and Commitments	
	Rs. in '000	Percent	Rs. in '000	Percent	Rs. in '000	Percent
Public / Government	-	-	85,000	0.96%	8,958	0.26%
Private	8,199,113	100.00%	8,757,946	99.04%	3,469,819	99.74%
	8,199,113	100.00%	8,842,946	100.00%	3,478,777	100.00%

38.4 Details of non-performing advances and specific provisions by class of business segment

	2006		2005	
	Classified Advances	Specific Provisions Held	Classified Advances	Specific Provisions Held
	(Rupees '000)			
Textile	160,683	150,543	8,014	8,014
Chemical and Pharmaceuticals	30,113	29,337	-	-
Automobile and transportation equipments	19,379	19,379	-	-
Electronics and Electrical Appliances	855	855	-	-
Construction	8,318	2,527	-	-
Power (electricity), Gas, Water, Sanitary	48	24	-	-
Transport, Storage and Communication	30,261	19,728	-	-
Services	94,395	37,369	-	-
Individual	41,478	20,013	3,387	339
Paper & Board	22,611	10,689	-	-
Steel & Engineering	31,252	17,914	-	-
Others	54,518	48,300	2,067	2,068
	<u>493,911</u>	<u>356,678</u>	<u>13,468</u>	<u>10,421</u>

38.5 Details of non-performing advances and specific provisions by sector

Public / Government	-	-	-	-
Private	493,911	356,678	13,468	10,421
	<u>493,911</u>	<u>356,678</u>	<u>13,468</u>	<u>10,421</u>

39. GEOGRAPHICAL SEGMENT ANALYSIS

	2006			
	Loss before taxation	Total assets employed	Net assets employed	Contingencies and commitments
	Rupees '000			
Pakistan	(140,836)	17,020,586	2,998,290	3,478,777
Asia Pacific (including South Asia)	-	-	-	-
Europe	-	-	-	-
United States of America and Canada	-	-	-	-
Middle East	-	-	-	-
Others	-	-	-	-
	<u>(140,836)</u>	<u>17,020,586</u>	<u>2,998,290</u>	<u>3,478,777</u>

Total assets employed include intra group items of Rs.802.41 million.

40. MARKET RISK

40.1 The bank's over-arching risk management philosophy is to maximize the risk bearing capacity available to support its business activities. One way to achieve this is to minimize exposure to market sources of risk such as interest rate risk, foreign exchange risk, and equity price risk. The objectives of market risk management are twofold: a) examine the bank's policies and guidelines for managing market risk and assess their effectiveness; and b) evaluate the impact of other policy changes on the way the Bank manages market risk.

40.2 Foreign Exchange Risk

The bank has adopted a comprehensive system for the measurement and management of foreign exchange risk. Part of this risk management process involves managing the bank's exposure to fluctuations in foreign exchange rates in order to minimize its exposure to currency and risk to acceptable levels as determined by management. The Board of Directors sets limits on the level of exposure by currency and in total for overnight positions. Positions are monitored on a daily basis and hedging strategies are used to ensure positions are maintained within established limits.

	2 0 0 6			Net foreign
	Assets	Liabilities	Off-balance sheet items	Currency exposure
	----- Rupees '000 -----			
Pakistan rupee	16,251,791	13,467,293	(106,653)	2,677,845
United States dollar	640,904	535,964	106,653	211,593
Great Britain pound	53,256	17,358	-	35,898
Japanese yen	1,574	-	-	1,574
Euro	73,061	1,681	-	71,380
	<u>17,020,586</u>	<u>14,022,296</u>	<u>-</u>	<u>2,998,290</u>

40.3 Interest rate risk

The bank has clear objectives, strategies, and risk tolerance level in order to protect it from interest rate risk. To achieve this objective, the bank matches the interest rate sensitivity of its assets and liabilities by placing them into various time buckets according to the earlier of contractual re-pricing or maturity dates. The bank is exposed to interest rate risk as a result of mismatches or gaps in the amounts of assets and liabilities and off-balance sheet instruments that mature or re-price in a given period. The bank manages this risk by matching the re-pricing of assets and liabilities through risk management strategies. The bank has also a system in place to monitor the effectiveness of its policies and limits.

40.4 Equity Position Risk

In order to better utilize its liquidity, the bank often invest its liquidity in capital market by utilizing various financial instruments (Shares, Mutual Funds etc.) and dealing with a multitude of counterparties and securities organizations. All of these transactions involve, to varying degrees, the risk that the counterparty in the transactions may be unable to meet its obligation to the bank. The bank maintains stringent rating eligibility criteria for counterparties and adheres to a framework of exposure limits based on counterparty credit rating and size, subject to prudential limits imposed by State Bank of Pakistan. To ensure the execution of and compliance to overall risk management policies and guidelines in terms of exposure limits, concentration limits and volatility limits on the bank's assets and liabilities, the treasury risk manager plays a focal role in the continued monitoring of such exposures and reporting for periodic realignment purposes.

41. MISMATCH OF INTEREST RATE SENSITIVE ASSETS AND LIABILITIES

Yield / interest rate sensitivity position for on balance sheet instruments is based on the earlier of contractual re-pricing and maturity date and for off-balance sheet instruments is based on settlement date.

Effective Yield/ Interest rate %	2006										Non Interest bearing financial instruments	
	Exposed to Yield/ Interest risk											
	Total	Up to 1 month	Over 1 to 3 months	Over 3 to 6 months	Over 6 months to 1 year	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 5 years	Over 5 to 10 years	Over 10 years		
------(Rupees '000)-----												
On-balance sheet financial instruments												
Assets												
Cash and balances with												
Treasury banks	4.50%	601,079	18,722	-	-	-	-	-	-	-	-	582,357
Balances with other banks	3.90%	191,742	4,789	-	-	-	-	-	-	-	-	186,953
Lendings to financial institutions	9.83%	3,500,844	2,527,301	761,608	-	211,935	-	-	-	-	-	-
Investments	9.38%	3,645,195	97,686	219,017	379,468	499,044	41,284	68,348	221,333	858,055	-	1,260,960
Advances	12.30%	7,695,639	1,742,475	1,099,998	1,247,329	1,889,716	697,713	422,154	552,819	33,893	441	9,101
Other assets	-	235,119	-	-	-	-	-	-	-	-	-	235,119
		15,869,618	4,390,973	2,080,623	1,838,732	2,388,760	738,997	490,502	774,152	891,948	441	2,274,490
Liabilities												
Bills payable	-	50,158	-	-	-	-	-	-	-	-	-	50,158
Borrowings	9.54%	4,025,949	2,212,614	465,833	664,168	366,667	316,667	-	-	-	-	-
Deposits and other accounts	10.83%	8,842,946	1,333,747	4,858,753	1,078,751	1,026,388	38,352	49,730	28,052	-	-	429,173
Other liabilities	-	209,812	-	-	-	-	-	-	-	-	-	209,812
		13,128,865	3,546,361	5,324,586	1,742,919	1,393,055	355,019	49,730	28,052	-	-	689,143
On-balance sheet gap		2,740,753	844,612	(3,243,963)	95,813	995,705	383,978	440,772	746,100	891,948	441	1,585,347
Off balance sheet financial instruments												
Commitment to extend credits		1,253,189	-	194,000	299,000	760,189	-	-	-	-	-	-
Financing in respect of continuous funding system		440,975	440,975	-	-	-	-	-	-	-	-	-
Forward rate agreements		106,653	-	-	-	-	-	-	-	-	-	106,653
Off balance sheet gap		1,800,817	440,975	194,000	299,000	760,189	-	-	-	-	-	106,653
Total Yield/Interest Risk Sensitivity Gap			403,637	(3,437,963)	(203,187)	235,516	383,978	440,772	746,100	891,948	441	1,478,694
Cumulative Yield/Interest Risk Sensitivity Gap			403,637	(3,034,326)	(3,237,513)	(3,001,997)	(2,618,019)	(2,177,247)	(1,431,147)	(539,199)	(538,758)	939,936

41.1 Interest rate risk is the risk that the value of the financial instrument will fluctuate due to changes in the market interest rate.

41.2 The interest rate exposure taken by the bank arises from investing in corporate, small medium enterprises, consumer financing, investment banking and interbank activities where variation in market interest rates may affect the profitability of the Bank. This risk is addressed by an Asset and Liability Management Committee which reviews the interest rate dynamics at regular intervals and decides repricing of assets and liabilities ensuring that the spread of the Bank remains at an acceptable level.

41.3 The advances and deposits of the Bank are repriced on a periodic basis based on interest rates scenario.

42. MATURITIES OF ASSETS AND LIABILITIES

The table below summarises the maturity profile of the Bank's assets and liabilities. The contractual maturities of assets and liabilities at the year end have been determined on the basis of the remaining period at the balance sheet date to the contractual maturity date and do not take account of the effective maturities as indicated by the Bank's deposit retention history and the availability of liquid funds. Assets and liabilities not having a contractual maturity are assumed to mature on the expected date on which the assets / liabilities will be realised / settled.

	2006									
	Total	Up to 1 month	Over 1 to 3 months	Over 3 to 6 months	Over 6 months to 1 year	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 5 years	Over 5 to 10 years	Over 10 years
----- (Rupees in '000) -----										
Assets										
Cash and balances with treasury banks	601,079	601,079	-	-	-	-	-	-	-	-
Balances with other banks	191,742	191,742	-	-	-	-	-	-	-	-
Lendings to financial institutions	3,500,844	2,527,301	761,608	211,935	-	-	-	-	-	-
Investments	3,645,195	166,102	371,427	248,976	685,528	188,821	137,605	366,709	1,053,085	426,942
Advances	7,833,786	1,523,175	581,008	884,089	2,246,392	1,263,747	726,863	573,388	34,683	441
Operating fixed assets	301,401	21,777	5,418	44,144	18,959	27,414	23,251	33,689	34,222	92,527
Other assets	946,539	120,293	105,359	19,569	143,272	26,291	3,272	6,854	521,629	-
	17,020,586	5,151,469	1,824,820	1,408,713	3,094,151	1,506,273	890,991	980,640	1,643,619	519,910
Liabilities										
Bills payable	50,158	50,158	-	-	-	-	-	-	-	-
Borrowings	4,025,949	2,212,614	465,833	664,168	366,667	316,667	-	-	-	-
Deposits and other accounts	8,842,946	1,333,747	4,882,157	1,241,059	1,269,849	38,352	49,730	28,052	-	-
Sub-ordinated loans	-	-	-	-	-	-	-	-	-	-
Liabilities against assets subject to finance lease	-	-	-	-	-	-	-	-	-	-
Deferred tax liabilities	78,368	-	-	-	(40)	-	81,371	(2,963)	-	-
Other liabilities	1,024,875	69,553	116,113	71,141	266,925	218,931	199,990	77,222	5,000	-
	14,022,296	3,666,072	5,464,103	1,976,368	1,903,401	573,950	331,091	102,311	5,000	-
Net assets	2,998,290	1,485,397	(3,639,283)	(567,655)	1,190,750	932,323	559,900	878,329	1,638,619	519,910
Share capital	3,125,916									
Reserves	2,494									
accumulated loss	(12,327)									
	3,116,083									
Deficit on revaluation of assets	(117,793)									
	2,998,290									

42.1 Savings and current deposits have been classified in the ratio of 40% and 60% in over 3 to 6 months and over 6 months to 1 year respectively as they do not have any fixed contractual maturity. However, it is expected that these deposits will be maintained over a longer period.

42.2 Liquidity risk is the risk that the Bank will be unable to meet its net funding requirements. Liquidity risk can be caused by market disruptions or credit downgrades, which may cause certain sources of funding to become unavailable. To mitigate this risk, management has diversified funding sources and assets are managed with liquidity in mind, maintaining an appropriate balance of cash, cash equivalents and readily marketable securities.

The Bank holds sufficient liquid assets to enable it to continue normal operations even in the unlikely event that it is unable to obtain fresh resources from the money market for an extended period of time. The Bank's policy requires maintaining a prudential minimum of liquidity based on projected net loan transfers, contingent liabilities and debt service payments. Equally, the Bank's policy permits the increase of liquid resources up to an operating level based on the minimum in addition to taking into account undischarged and irrevocable commitments to take advantage of low cost funding opportunities as they arise.

The contractual maturities of assets and liabilities have been determined on the basis of the remaining period at the balance sheet date to the contractual maturity date and do not take account of the effective maturities as indicated by the bank's deposit retention history and the availability of liquid funds. Management monitors the maturity profile to ensure that adequate liquidity is maintained.

In accordance with SBP regulations, the bank maintains a statutory cash reserve requirement (CRR) with SBP equal to a) weekly average of 7% (subject to daily minimum of 4%) of total Demand Liabilities (including Time Deposits with tenor of less than 6 months); and b) weekly average of 3% (subject to daily minimum of 1%) of total Time Liabilities (including Time Deposits with tenor of 6 months and above). In addition to that, the bank maintains statutory liquidity requirement (SLR) of 18% (excluding CRR) of total Time and Demand Liabilities. The Bank have successfully manages its CRR and SLR requirements.

43. OPERATIONAL RISK

The bank has prepared itself against operational risk by devising well defined strategies and oversight by the board of directors and senior management, a strong operational risk culture and internal control culture (including, among other things, clear lines of responsibility and segregation of duties), effective internal reporting, and contingency planning. Over the last year, the bank has introduced wide-ranging reforms intended not only to improve the efficiency with which the bank executes its mandate, but also to strengthen the overall internal control environment. The Bank's operational risk activities currently comprise improvements in the systems environment and process changes and are expected to also include the implementation of an integrated control framework.

44. GENERAL

- 44.1 Captions, as prescribed by BSD Circular No. 04 of 2006 dated February 17, 2006 issued by the State Bank of Pakistan, in respect of which there are no amounts, have not been reproduced in these financial statements, except for the captions of the balance sheet and profit and loss account.
- 44.2 Corresponding figures have been re-arranged and reclassified, wherever necessary, to facilitate comparison. However, there are no material reclassifications to report.
- 44.3 Figures have been rounded off to the nearest thousand rupees.

45. CORRECTION OF PRIOR PERIOD ERROR

An adjustment relating to prior period error of Rs.3.113 million has been made in the financial statements of the Bank. This adjustment relates to incorrect accrual of dividend income during the quarter ended September-2005. The correction of the prior period error has been accounted for retrospectively in accordance with the requirement of IAS-8 "Accounting Policies, Changes in Accounting Estimates and Errors" and accordingly the comparative figures for the prior periods have been restated. The effect of restatement on the financial statement as of December 31, 2005 is as follows:

	Effect on the financial statements for the year ended December 31, 2005 (Rupees in '000)
Decrease in dividend income and profit	3,113
Decrease in equity	3,113

46. DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorised for issue on March 2, 2007 by the Board of Directors of the Bank.



Abdul Aziz Rajkotwala
Chief Executive



Yusuf H. Shirazi
Chairman



Sherali Mundrawala
Director



S. Salim Raza
Director

PATTERN OF SHAREHOLDING AS AT DECEMBER 31, 2006

NO. OF SHAREHOLDERS	SHAREHOLDING			TOTAL SHARES HELD
	FROM		T O	
367	1	-	100	16,007
1,314	101	-	500	375,503
319	501	-	1,000	263,773
576	1,001	-	5,000	1,483,552
142	5,001	-	10,000	1,073,966
41	10,001	-	15,000	489,208
37	15,001	-	20,000	651,473
18	20,001	-	25,000	409,495
19	25,001	-	30,000	526,969
15	30,001	-	35,000	473,766
12	35,001	-	40,000	455,455
3	40,001	-	45,000	126,919
10	45,001	-	50,000	486,982
2	50,001	-	55,000	100,310
4	55,001	-	60,000	227,717
6	60,001	-	65,000	374,790
6	65,001	-	70,000	403,188
2	70,001	-	75,000	150,000
4	75,001	-	80,000	313,651
4	80,001	-	85,000	329,342
5	95,001	-	100,000	495,617
1	100,001	-	105,000	100,360
1	105,001	-	110,000	109,422
1	115,001	-	120,000	117,498
1	125,001	-	130,000	128,426
1	130,001	-	135,000	132,005
2	140,001	-	145,000	289,091
1	150,001	-	155,000	150,720
2	155,001	-	160,000	315,570
1	175,001	-	180,000	180,000
2	185,001	-	190,000	373,860
1	190,001	-	195,000	190,146
1	195,001	-	200,000	198,950
2	200,001	-	205,000	402,771
1	210,001	-	215,000	213,500
2	215,001	-	220,000	439,097
2	240,001	-	245,000	489,000
1	260,001	-	265,000	262,800
1	325,001	-	330,000	326,000
1	390,001	-	395,000	392,500
1	405,001	-	410,000	409,793
1	460,001	-	465,000	462,870
1	495,001	-	500,000	500,000
1	505,001	-	510,000	505,540
1	565,001	-	570,000	567,000
1	685,001	-	690,000	687,157
1	720,001	-	725,000	721,465
1	890,001	-	895,000	892,457
2	1,130,001	-	1,135,000	2,260,800
1	1,295,001	-	1,300,000	1,299,517
1	2,040,001	-	2,045,000	2,041,000
1	2,235,001	-	2,240,000	2,238,199
1	2,320,001	-	2,325,000	2,325,000
1	7,240,001	-	7,245,000	7,243,000
1	21,270,001	-	21,275,000	21,273,154
4	107,365,001	-	107,370,000	107,368,508
1	147,755,001	-	147,760,000	147,756,783
<u>2,952</u>				<u>312,591,642</u>

The slabs representing nil holding have been omitted

CATEGORIES OF SHAREHOLDERS AS AT DECEMBER 31, 2006

Categories of Shareholders	Number of Shareholders	Number of Shares held	Percentage of Shares held
Directors, CEO and their spouse and minor children	5	29,095,667	9.31
Associated Companies, undertakings & related parties	4	149,856,607	47.94
NIT and ICP	2	21,276,130	6.81
Banks, DFIs, & NBFCs	3	7,266,185	2.33
Insurance Companies	1	117,498	0.04
Modarabas and Mutual Funds	1	116	-
Shareholders holding 10% or more voting interest in the Company	-	-	-
General Public:			
a. Local (Individuals)	2,883	103,582,326	33.14
b. Foreign	1	58,611	0.02
Others:			
a. Joint Stock Companies	47	703,197	0.22
b. Others	5	635,305	0.20
TOTAL	2,952	312,591,642	100.00

PATTERN OF SHAREHOLDING AS AT DECEMBER 31, 2006
INFORMATION AS REQUIRED UNDER CODE OF CORPORATE GOVERNANCE

Categories of Shareholders	Number of Shareholders	Number of Shares held	Percentage of Shares held
Associated Companies, undertakings and related parties			
Shirazi Investments (Pvt) Ltd.	1	147,756,783	47.27
Atlas Insurance Co. Ltd.	1	892,457	0.29
Atlas Foundation	1	1,130,400	0.36
Batool Benefit Trust	1	76,967	0.02
NIT and ICP			
National Investment Trust Ltd	1	21,273,154	6.81
Investment Corporation of Pakistan	1	2,976	-
Directors, CEO and their spouse and minor children			
Mr. Yusuf H. Shirazi	1	2,238,199	0.72
Mr. Saquib H. Shirazi	1	26,842,127	8.59
Mr. Frahim Ali Khan	1	660	-
Mr. Sherali Mundrawala	1	14,680	-
Mr. Tariq Iqbal Khan	1	1	-
Executives			
	-		-
Public Sector Companies and Corporations			
	-	-	-
Banks, Development Finance Institutions, Non Banking Financial Companies, Insurance Companies, Modarabas and Mutual Funds			
	5	7,383,799	2.36
Shareholders holding 10% or more voting interest in the company			
Individuals	2,884	103,640,937	33.16
Others	52	1,338,502	0.43
	<u>2,952</u>	<u>312,591,642</u>	<u>100.00</u>

DIRECTORS' REPORT ON CONSOLIDATED FINANCIAL STATEMENTS

The Board of Directors present report on the consolidated financial statements of Atlas Bank Limited and its subsidiary namely Atlas Capital Markets (Pvt.) Limited for the year ended December 31, 2006.

Financials

The consolidated financials of your Bank for the year ended December 31, 2006 under review are summarized as follows:

	2006 Rs. in '000	2005 Rs. in '000 (Restated)
Operating (loss) / profit before provision and taxation	(55,306)	12,102
Provisions	(58,195)	(2,576)
(Loss) / profit before taxation	(113,501)	9,526
(Provision) / reversal of provision for taxation	135,853	(5,738)
Profit after taxation	22,352	3,788
Accumulated loss brought forward	(19,273)	(22,303)
	3,079	(18,515)
Appropriations:		
Transfer to statutory reserve	(1,736)	(758)
Accumulated profit / (loss) carried forward	1,343	(19,273)
Earnings per share (Rupees)	0.10	0.03

Pattern of Shareholding

The pattern of shareholding as at December 31, 2006 is annexed with the financial statements of Atlas Bank Limited.

For and on Behalf of the
Board of Directors



Yusuf H. Shirazi
Chairman

Karachi: March 2, 2007



**CONSOLIDATED FINANCIAL
STATEMENTS**

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed consolidated financial statements comprising consolidated balance sheet of **Atlas Bank Limited [Formerly Dawood Bank Limited]** (the Bank) and its subsidiary company, Atlas Capital Markets (Private) Limited as at December 31, 2006 and the related consolidated profit and loss account, consolidated statement of changes in equity and consolidated cash flow statement together with the notes forming part thereof, for the year then ended. We have also expressed separate opinion on the financial statements of Atlas Capital Markets (Private) Limited. These consolidated financial statements are the responsibility of the Bank's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

We conducted our audit in accordance with the auditing standards as applicable in Pakistan. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the above said statements are free of any material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the above said statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements present fairly the financial position of the Bank and its subsidiary company as at December 31, 2006 and of the results of their operations for the year then ended.

The financial statements of the Bank for the year ended December 31, 2005 were audited by another firm of chartered accountants who rendered unqualified opinion on the said financial statements in their audit report dated February 11, 2006.

KARACHI: March 2, 2007




FORD RHODES SIDAT HYDER & Co.
CHARTERED ACCOUNTANTS


CONSOLIDATED BALANCE SHEET
AS AT DECEMBER 31, 2006

	Note	2006 ------(Rupees '000)-----	2005 ----- (Restated)
ASSETS			
Cash and balances with treasury banks	6	601,081	202,970
Balances with other banks	7	405,523	30,056
Lendings to financial institutions	8	3,500,844	4,847,386
Investments	9	3,548,110	1,735,015
Advances	10	7,459,892	799,411
Operating fixed assets	11	469,457	126,644
Deferred tax assets		-	8,708
Other assets	12	1,589,811	201,529
		17,574,718	7,951,719
LIABILITIES			
Bills payable	13	50,158	25,602
Borrowings	14	4,125,949	4,096,777
Deposits and other accounts	15	8,842,946	2,186,005
Sub-ordinated loans		-	-
Liabilities against assets subject to finance lease		-	-
Deferred tax liabilities - net	16	78,145	-
Other liabilities	17	1,465,560	113,955
		14,562,758	6,422,339
NET ASSETS		<u>3,011,960</u>	<u>1,529,380</u>
REPRESENTED BY			
Share capital	18	3,125,916	1,537,000
Reserves		2,494	758
Accumulated profit / (loss)		1,343	(19,273)
		3,129,753	1,518,485
(Deficit) / Surplus on revaluation of assets - net of tax	19	(117,793)	10,895
		<u>3,011,960</u>	<u>1,529,380</u>
CONTINGENCIES AND COMMITMENTS		20	

The annexed notes 1 to 46 form an integral part of these financial statements.


Abdul Aziz Rajkotwala
Chief Executive


Yusuf H. Shirazi
Chairman


Sherali Mundrawala
Director


S. Salim Raza
Director


CONSOLIDATED PROFIT AND LOSS ACCOUNT
 FOR THE YEAR ENDED DECEMBER 31, 2006

	Note	2006 ------(Rupees '000)-----	2005 ----- (Restated)
Mark-up / Return / Interest Earned	22	890,432	380,135
Mark-up / Return / Interest Expensed	23	778,358	242,286
Net Mark-up / Interest Income		112,074	137,849
Provision against non-performing loans and advances	10.4	54,875	2,576
Provision for diminution in the value of investments	9.3	3,320	-
Bad debts written off directly		-	-
		58,195	2,576
Net Mark-up / Interest Income after provisions		53,879	135,273
NON-MARK-UP INTEREST INCOME			
Fee, Commission and Brokerage Income		57,543	2,998
Dividend Income		15,819	6,250
Income from dealing in foreign currencies		12,253	313
Gain on sale of securities	24	74,140	-
Unrealized loss on revaluation of investments classified as held-for-trading	9.2.8	(14,110)	-
Other income	25	26,188	1,241
Total non mark-up / interest income		171,833	10,802
		225,712	146,075
NON MARK-UP / INTEREST EXPENSES			
Administrative expenses	26	338,689	130,907
Other provisions / write offs		-	5,552
Other charges	27	524	90
Total non mark-up / interest expenses		339,213	136,549
		(113,501)	9,526
Extraordinary / unusual items		-	-
(LOSS) / PROFIT BEFORE TAXATION		(113,501)	9,526
Taxation - Current		15,285	1,902
- Prior years	28.2	(105,934)	-
- Deferred	28	(45,204)	3,836
		(135,853)	5,738
PROFIT AFTER TAXATION		22,352	3,788
Accumulated loss brought forward		(19,273)	(22,303)
Accumulated profit / (loss) before appropriation of statutory reserve		3,079	(18,515)
Earnings per share - Basic and diluted (Rupee)	29	0.10	0.03


The annexed notes 1 to 46 form an integral part of these financial statements.



Abdul Aziz Rajkotwala
Chief Executive



Yusuf H. Shirazi
Chairman



Sherali Mundrawala
Director




S. Salim Raza
Director


CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2006

	Issued, subscribed and paid-up share capital	Advance against future issue of share capital	Statutory reserve	Unappropriated profit / (Accumulated loss)	Total
	----- (R u p e e s ' 0 0 0) -----				
Balance as at January 1, 2005	1,060,000	-	-	(25,480)	1,034,520
Effect of change in accounting policy (Note 5.1)	-	-	-	3,177	3,177
Restated balance as at January 1, 2005	1,060,000	-	-	(22,303)	1,037,697
Received during the year	-	477,000	-	-	477,000
Issue of share capital	477,000	(477,000)	-	-	-
Profit after taxation for the year ended December 31, 2005 - restated (Note 5.1 & 45)	-	-	-	3,788	3,788
Transfer to statutory reserve	-	-	758	(758)	-
Restated balance as at December 31, 2005	1,537,000	-	758	(19,273)	1,518,485
Issue of share capital upon amalgamation (Refer Note 1.5)	1,588,916	-	-	-	1,588,916
Profit after taxation for the year ended December 31, 2006	-	-	-	22,352	22,352
Transfer to statutory reserve	-	-	1,736	(1,736)	-
Balance as at December 31, 2006	3,125,916	-	2,494	1,343	3,129,753

The annexed notes 1 to 46 form an integral part of these financial statements.


Abdul Aziz Rajkotwala
Chief Executive


Yusuf H. Shirazi
Chairman


Sherali Mundrawala
Director


S. Salim Raza
Director

CONSOLIDATED CASH FLOW STATEMENT
 FOR THE YEAR ENDED DECEMBER 31, 2006

	Note	2006 ------(Rupees '000)-----	2005
CASH FLOWS FROM OPERATING ACTIVITIES			
(Loss) / profit before taxation		(113,501)	9,526
Less: Dividend income		(15,819)	(6,250)
		(129,320)	3,276
Adjustments:			
Depreciation	26	20,069	9,627
Amortisation	26.2	37,112	16,568
Provision Against Non-Performing Loans and Advances - specific	10.4	55,830	339
Provision for Diminution in value of investments	9.3	3,320	-
Gain on disposal of fixed assets	11.5	(905)	(83)
(Reversal) / provision for consumer financing - general	10.4	(955)	2,237
Lease hold improvements written off		-	5,552
		114,471	34,240
		(14,849)	37,516
(Increase) / Decrease in operating assets			
Lendings to financial institutions		2,761,542	(2,425,726)
Held-for-trading securities		(772,266)	-
Advances		(2,075,162)	(744,370)
Other assets (excluding advance taxation)		188,465	(115,072)
		102,579	(3,285,168)
Increase / (Decrease) in operating liabilities			
Bills Payable		24,556	8,962
Borrowings		(3,456,997)	1,917,263
Deposits		3,261,264	1,953,342
Other liabilities		(5,468)	(108,688)
		(176,645)	3,770,879
		(88,915)	523,227
Payment of provision against off-balance sheet obligation		-	-
Income tax paid		(38,323)	(14,754)
Net cash flow (used in) / from operating activities		(127,238)	508,473
CASH FLOW FROM INVESTING ACTIVITIES			
Net investment in available-for-sale securities		(279,916)	(352,275)
Net investment in held-to-maturity securities		394,035	(361,888)
Dividend received		15,020	6,250
Investments in operating fixed assets		(131,007)	(112,782)
Sale proceeds of operating fixed assets	11.5	6,057	868
Net cash flow from / (used in) investing activities		4,189	(819,827)
CASH FLOW FROM FINANCING ACTIVITIES			
Issue of shares		-	477,000
Net cash flow from financing activities		-	477,000
(Decrease) / increase in cash and cash equivalents			
Cash and cash equivalents at beginning of the year		233,026	67,380
Cash and cash equivalents acquired upon amalgamation	1.5	896,627	-
Cash and cash equivalents at end of the year	30	1,006,604	233,026

The annexed notes 1 to 46 form an integral part of these financial statements.



Abdul Aziz Rajkotwala
Chief Executive



Yusuf H. Shirazi
Chairman



Sherali Mundrawala
Director



S. Salim Raza
Director

CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2006

1. STATUS AND NATURE OF BUSINESS

- 1.1 Atlas Bank Limited, the holding company (the Bank) was incorporated in Pakistan on July 17, 2003 as Dawood Bank Limited, a Public Limited Company (unlisted) under the Companies Ordinance, 1984 with the object of conducting banking business and related services. Effective October 16, 2006, the Bank has been listed at the Karachi, Lahore and Islamabad Stock Exchanges. The consolidated financial statements of the Bank for the year ended December 31, 2006 comprise the Bank and Atlas Capital Markets (Private) Limited, a wholly owned subsidiary (together referred to as the "Group"). The Bank commenced its commercial operations effective March 25, 2004. In December 2005, the majority shareholding of the Bank held by Dawood Group was acquired by Shirazi Investments (Private) Limited, a company of the Atlas Group. The Bank's name was changed to Atlas Bank Limited on March 6, 2006.
- 1.2 The subsidiary company was incorporated in Pakistan on March 08, 2006 under the Companies Ordinance, 1984. The subsidiary company is a corporate member of Karachi Stock Exchange (Guarantee) Limited, Lahore Stock Exchange (Guarantee) Limited, Islamabad Stock Exchange (Guarantee) Limited and National Commodity Exchange Limited. The subsidiary company is also a member of Financial Markets Association of Pakistan. The principal activities of the subsidiary company are equity and money market brokerage, advisory and consultancy services. The principal place of business of the Bank is situated at Federation House, Sharae Firdousi, Clifton, Karachi and the registered office of the subsidiary company is situated at 209-B, 2nd Floor, Park Tower, Sharae Firdousi, Clifton, Karachi.
- 1.3 During the year, the Bank has increased its authorised share capital from Rs. 2,000 million (200,000,000 ordinary shares of Rs. 10/- each) to Rs. 5,000 million (500,000,000 ordinary shares of Rs. 10/- each).
- 1.4 With effect from July 29, 2006, Atlas Investment Bank Limited (AIB), a public listed company engaged in business of investment finance services and leasing, has been amalgamated into the Bank in accordance with the scheme of amalgamation under section 48 of the Banking Companies Ordinance, 1962, as sanctioned by the State Bank of Pakistan (SBP). Accordingly,
 - a) the entire undertaking of AIB inclusive of all its assets, liabilities and obligations have been transferred to and vested in the Bank;
 - b) 158,891,642 ordinary shares of Rs.10/- each of the Bank have been issued to the share holders of AIB i.e. in the ratio of 3.14 ordinary shares of the Bank for each share of AIB, as consideration of the amalgamation; and
 - c) AIB has been dissolved without winding up.

On March 8, 2006, the brokerage segment of AIB inclusive of all assets, licenses and liabilities have been transferred to a wholly owned subsidiary of AIB - Atlas Capital Markets (Private) Limited (ACM). Consequent to amalgamation of AIB with the Bank, the ACM became the subsidiary of the Bank with 100% shareholding.

- 1.5 The above referred amalgamation has been accounted for under the 'acquisition method' as laid down by International Accounting Standard - 22 "Business Combinations" (applicable in Pakistan).

The fair values of assets acquired and liabilities assumed as of the effective date of amalgamation are as follows:

	Note	AIB	ACM	TOTAL
		----- Rs. in '000 -----		
ASSETS				
Cash and balances with treasury banks		153,927	14	153,941
Balances with other banks		134,965	607,721	742,686
Lendings to financial institutions		1,415,000	-	1,415,000
Investments		1,318,679	-	1,318,679
Advances		4,638,157	2,037	4,640,194
Operating fixed assets		84,496	155,688	240,184
Other assets		95,425	904,333	999,758
Total Assets		7,840,649	1,669,793	9,510,442
LIABILITIES				
Borrowings		2,929,169	557,000	3,486,169
Deposits and other accounts		3,395,677	-	3,395,677
Deferred tax liabilities / (assets) - net		170,600	(6,820)	163,780
Other liabilities		692,184	722,670	1,414,854
Total Liabilities		7,187,630	1,272,850	8,460,480
NET ASSETS		653,019	396,943	1,049,962
CONSIDERATION (cost of acquisition)				
Shares issued (158,891,642 shares @ Rs.10/- each)	18.2			1,588,916
GOODWILL ON AMALGAMATION	5.7			538,954

- 1.6 Based upon the rating process completed immediately after the amalgamation, the Pakistan Credit Rating Agency Limited has upgraded the Bank's long term rating to "A-" (Single A Minus) and short term rating to "A 2" (A Two).

2. BASIS OF PRESENTATION

- 2.1 These financial statements have been prepared in conformity with the format of financial statements prescribed by SBP vide BSD Circular No. 04 dated February 17, 2006. In accordance with the directives of the Federal Government regarding the conversion of the banking system to Islamic modes, the SBP has issued various circulars from time to time. Permissible forms of trade-related modes of financing include purchase of goods by banks from their customers and immediate resale to them at appropriate mark-up in price on deferred payment basis. The purchases and sales arising under these arrangements are not reflected in these financial statements as such but are restricted to the amount of facility actually utilised and the appropriate portion of mark-up thereon.
- 2.2 These financial statements include financial statements of holding company and its subsidiary and have been prepared by combining both financial statements on a line by line basis, using uniform accounting policies. Intragroup balances, transactions, income and expenses have been eliminated.

Subsidiary is consolidated from the date on which control is transferred to the Group.

3. STATEMENT OF COMPLIANCE

- 3.1 These financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan and the requirements of the Companies Ordinance, 1984 and the Banking Companies Ordinance, 1962. Approved accounting standards comprise of such International Accounting Standards (IAS) and International Financial Reporting Standards (IFRSs) as notified under the provisions of the Companies Ordinance, 1984. Wherever the requirements of the Companies Ordinance, 1984, Banking Companies Ordinance, 1962 or directives issued by the Securities and Exchange Commission of Pakistan and the SBP differ with the requirements of these standards, the requirements of the Companies Ordinance, 1984, Banking Companies Ordinance, 1962 or the requirements of the said directives take precedence.
- 3.2 The SBP as per BSD Circular No. 10, dated August 26, 2002 has deferred the applicability of International Accounting Standard 39, Financial Instruments: Recognition and Measurement (IAS 39) and International Accounting Standard 40, Investment Property (IAS 40) for Banking companies till further instructions. Accordingly, the requirements of these standards have not been considered in the preparation of these financial statements. However, investments have been classified and valued in accordance with the requirement of various circulars issued by SBP.

4. BASIS OF MEASUREMENT

These financial statements have been prepared under the historical cost convention, except that certain investments have been marked to market and are carried at fair value as stated in note 5.5 below.

The preparation of financial statements requires management to make judgements, estimates and assumptions that effect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the result of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revision to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in period of the revision and future periods if the revision affects both current and future periods.

Judgments made by management in the application of accounting policies that have significant effect on the financial statements and estimates with a significant risk of material adjustment are explained in the relevant accounting policies / notes in the financial statements.

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

5.1 Change in accounting policy

During the year, the Bank has changed its accounting policy in respect of amortization of premium / discount on debt securities which are now amortised using effective interest method. Previously, such amortization was based on straight line method. The management is of the opinion that the changed policy provides reliable and more relevant information and is also consistent with the local industry practice. This change in accounting policy has been applied retrospectively in accordance with IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors" and the corresponding information has been restated. The effect of change in accounting policy on current and prior periods is tabulated below:

Effect on Profit and Loss account

	For the year ended December 31, 2006	For the year ended December 31, 2005	For the periods upto December, 31 2004
	----- (Rupees in '000) -----		
Increase in Mark-up income	2,023	4,224	3,177

Effect on Balance Sheet

	As at December 31, 2006	As at December 31, 2005
	----- (Rupees in '000) -----	
Increase in carrying value of investments	9,424	7,401
Increase in equity	9,424	7,401

5.2 Cash and cash equivalents

Cash and cash equivalents represents cash and balances with treasury and other banks.

5.3 Lendings to financial institutions / borrowings

The Group enters into transactions of reverse repos and repos at contracted rates for a specified period of time. These are recorded as under:

Purchase under resale obligation

Securities purchased with a corresponding commitment to resell at a specified future date (reverse repos) are not recognised in the balance sheet. Amounts paid under these obligations are included in reverse repurchase agreement lendings. The difference between purchase and resale price is accrued as income over the term of the reverse repos agreement.

Sale under repurchase obligation

Securities sold with a simultaneous commitment to repurchase at a specified future date (repos) continue to be recognised in the balance sheet and are measured in accordance with accounting policies for investments. Amounts received under these agreements are recorded as repurchase agreement borrowings. The difference between sale and repurchase price is amortised as expense over the term of the repos agreement.

Other borrowings

These are recorded at the time of receipt. Mark-up paid on such borrowings is charged to the profit and loss account over the period of borrowings.

5.4 Trade and settlement date accounting

All 'regular way' purchases and sales of financial assets are recognised on the trade date, i.e. the date on which commitment to purchase / sale is made by the Group. Regular way purchases or sales of financial assets are those, the contract for which requires delivery of assets within the time frame generally established by regulation or convention in the market place.

5.5 Investments

Investment in securities are classified as follows:

Held-for-trading

These represent securities, which are either acquired for the purpose of generating profit from short-term fluctuations in prices or dealer's margin or are securities included in the portfolio in which a pattern of short-term profit making exists.

Held-to-maturity

These are securities with fixed or determinable payments and maturity in respect of which the Group has the positive intent and ability to hold to maturity.

Available-for-sale

These represent securities, which do not fall under the held for trading or held to maturity categories.

In accordance with the requirements of the SBP, quoted securities other than those classified as held-to-maturity are carried at market value. Investments classified as held to maturity are carried at amortised cost. Unquoted securities where active market does not exist are valued at cost less impairment, if any.

Further, in accordance with the requirements of the SBP, surplus / deficit on revaluation of the Group's held for trading financial investments portfolio is taken to the profit and loss account. The surplus / deficit arising on quoted securities classified as available for sale is kept in a separate account shown in the balance sheet below equity.

Provision for diminution in the values of securities is made after considering impairment, if any, in their value.

Investments are de-recognised when the right to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership.

5.6 Advances including net investment in finance lease

Loans and Advances

Advances are stated net of general and specific provision.

Specific provision is made for non-performing advances in accordance with the requirements of the Prudential Regulations issued by the SBP. The Group also maintains general provision for potential losses of consumer financing portfolio as required by the Prudential Regulations issued by the SBP.

Finance lease receivables

Leases where the Group transfers substantially all the risks and rewards incidental to ownership of an asset to the lessee are classified as finance leases. A receivable is recognised at an amount equal to the present value of the lease payments, including guaranteed residual value, if any. Finance lease receivables net of related provisions are included in loans and advances to customers.

Repossessed assets

The Group occasionally repossesses leased assets in settlement of non-performing finances provided to customers. These are stated at lower of the original cost of the related asset, exposure to the Group and net realisable value of the asset repossessed. Gains or losses on disposal are taken to income currently unless recoverable from / payable to the customer.

5.7 Goodwill

Goodwill represents the difference between the cost of acquisition and the fair value of the Bank's share of net identifiable assets of the acquired entity at the date of acquisition. It is amortised using the straight line basis over a period of 10 years commencing from the effective date of amalgamation. At each balance sheet date, goodwill is reviewed for indication of impairment or changes in estimated future benefits. If such indication exists, an analysis is performed to assess whether the carrying amount of goodwill is fully recoverable or not. A writedown is made if the carrying amount exceeds the recoverable amount.

5.8 Operating fixed assets and depreciation

Tangible

These are stated at cost less accumulated depreciation and any impairment, if any. Such costs include the cost of replacing parts of fixed assets when that cost is incurred. Maintenance and normal repairs are charged to income as and when incurred. Depreciation is charged to income over the useful life of the asset on a systematic basis applying the reducing balance method at the rates specified in note 11.2 to the financial statements.

Depreciation on additions is charged from the month in which the assets are put to use while no depreciation is charged in the month in which the assets are disposed off.

During the year, the Group revised its estimates of useful lives of fixed assets and changed its depreciation method from straight line method to reducing balance method. These revisions and change in accounting estimates have been accounted for prospectively in accordance with IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors". Had there been no changes in estimates, the depreciation charge for the year would have been higher and accumulated profit would be lower by Rs.8.14 million.

The carrying amounts are reviewed at each balance sheet date to assess whether they are recorded in excess of their recoverable amounts, and where carrying values exceed estimated recoverable amount, assets are written down to their estimated recoverable amount.

An item of fixed asset is derecognised upon disposal or when no future economic benefits are expected from its use or disposal.

The assets residual values, useful lives and methods are reviewed and adjusted, if appropriate, at each financial year end.

Gains and losses on disposals, if any, of assets are included in income currently.

Intangible

These are stated at cost less accumulated amortisation and impairment, if any. Amortisation is charged over the useful life of the asset on a systematic basis to income applying the reducing balance method at the rate specified in note 11.4 to the financial statements.

Amortisation on additions is charged from the month in which the assets are put to use while no amortisation is charged in the month in which the assets are deleted.

During the year, the Group revised its estimate of useful life and changed its amortisation method from straight line method to reducing balance method. These revision and change in accounting estimates have been accounted for prospectively in accordance with IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors". Had there been no changes in estimates, the amortisation charge for the year would have been higher and accumulated profit would be lower by Rs.1.87 million.

Software and other development costs are only capitalised to the extent that future economic benefits are expected to be derived by the Group.

The carrying amounts are reviewed at each balance sheet date to assess whether they are recorded in excess of their recoverable amounts, and where carrying values exceed estimated recoverable amount, assets are written down to their estimated recoverable amount.

Intangible assets having an indefinite useful life are carried at cost and are not amortised.

Capital work in progress

Capital work-in-progress is stated at cost.

Assets given on operating lease

These are stated at cost less accumulated depreciation and impairment, if any. Such costs include the cost of replacing parts of fixed assets when that costs is incurred. Maintenance and normal repairs are charged to income as and when incurred. Depreciation is charged to income over the useful life of the asset on a systematic basis applying the reducing balance method at the rates similar to those applicable to tangible assets.

The carrying amounts are reviewed at each balance sheet date to assess whether they are recorded in excess of their recoverable amounts, and where carrying values exceed estimated recoverable amount, assets are written down to their estimated recoverable amount. Depreciation on additions is charged from the month in which the assets are put to use while no depreciation is charged in the month in which the assets are disposed off.

5.9 Deferred costs

Deferred costs are amortised over the life of the instrument or five years from the year of incurrence on straight line basis, whichever is less.

5.10 Taxation**Current**

Provision for current taxation is based on the taxable income for the year determined in accordance with the prevailing laws for taxation on income. The charge for the current tax is calculated using prevailing tax rates. The charge for tax also includes adjustments, where considered necessary relating to prior years.

Deferred

Deferred tax is recognised using the balance sheet liability method on all temporary differences arising between tax bases of assets and liabilities and their carrying amounts appearing in the financial statements. A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefits will be realized.

Deferred tax is calculated at the rates that are expected to apply to the year when the differences reverse, based on tax rates that have been enacted or substantively enacted by the balance sheet date. Deferred tax is charged or credited to the profit and loss account.

Deferred tax, if any, on revaluation of investments is recognised as an adjustment to surplus / (deficit) arising on revaluation.

5.11 Provisions

Provisions are recognised when the Group has a legal or constructive obligation as a result of past events, it is more likely than not that an outflow of resources will be required to settle the obligation and a reliable estimate of the amount can be made. Provisions are reviewed at each balance sheet date and are adjusted to reflect the current best estimate.

5.12 Staff retirement benefits**Defined benefit plan**

The Group operates an un-approved funded gratuity scheme for its management employees. The liability recognised in the balance sheet in respect of defined benefit gratuity scheme, is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets, together with adjustments for unrecognised actuarial gains or losses and past service costs. The defined benefit obligation is calculated periodically by independent actuaries using the projected unit credit method.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions in excess of the greater of 10% of the value of plan assets or 10% of the defined benefit obligation are charged or credited to income over the employees' expected average remaining working lives.

Defined contribution plan

The Group operates an approved funded contributory provident fund for all its permanent employees to which equal monthly contributions are made both by the Group and the employees at the rate of 11% per annum of basic salary. The Group has no further payment obligations once the contributions have been paid. The contributions made by the Group are recognised as employee benefit expense when they are due.

Staff retirement benefits are payable to staff on completion of prescribed qualifying period of service under these schemes.

Employee compensated absences

Employee entitlements to annual leaves are recognized when they accrue to employees. A provision is made for the estimated liability for annual leaves as a result of services rendered by employees upto the balance sheet date.

5.13 Derivatives

Derivative financial instruments are recognized at fair value. In the case of equity futures, the fair value is calculated with reference to quoted market price. Derivatives with positive market values (unrealised gains) are included in other receivables and derivatives with negative market values (unrealised losses) are included in other liabilities in the balance sheet. The resultant gains and losses are taken to income currently.

5.14 Revenue recognition

Profit and return on regular advances and investments is recognised on accrual basis. Profit on classified advances is recognised on receipt basis. Profit on rescheduled / restructured advances is recognised as prescribed by the Prudential Regulations issued by the SBP.

Income on net investment in finance lease is recognised over the term of the lease so as to reflect a constant periodic rate of return on the net investment outstanding in respect of the lease. Income on classified finance lease is recognised on receipt basis in compliance with the Prudential Regulations issued by SBP.

Operating lease rentals are recognized on accrual basis.

Fee, commission, brokerage, consultancy and advisory fee are recognised when services are rendered.

Dividend income from investments is recognised when Group's right to receive the dividend is established.

Gains and losses on sale of investments are included in income currently.

Mark-up income, return on bank deposits and balances and other revenues are recognised on accrual basis.

All exchange differences are recognised in income.

5.15 Foreign currencies translation

Foreign currency transactions are recorded at exchange rates approximating those ruling on the date of the transaction. Monetary assets and liabilities in foreign currencies are translated at the rates of exchange which approximate those prevailing at the balance sheet date. Gains and losses on translation are taken to income currently.

5.16 Off Setting of financial assets and financial liabilities

Financial assets and liabilities are set off and the net amount is reported in the financial statements when there exists a legally enforceable right to set off and the Group intends either to settle the assets and liabilities on a net basis or to realize the assets and to settle the liabilities simultaneously.

5.17 Related party transactions

Transactions with related parties are at arm's length prices except for transactions with executives that are undertaken in accordance with their terms of employment.

5.18 Fiduciary assets

Assets held in a fiduciary capacity are not treated as assets of the Group in these financial statements.

5.19 Accounting standards not yet effective

The Group has not applied the following accounting standards that have been issued by the International Accounting Standards Board (IASB), but are not yet effective.

5.19.1 International Accounting Standards (IASs)

The amendments to existing standards applicable to the Group have been published that are mandatory for the Group's accounting periods beginning on or after January 01, 2007 or later periods:

- IAS 1 - Presentation of Financial Statements
- Capital Disclosures

The Group expects that the above amendments to the standards will have no significant impact on the Group's financial statements in the period of initial application.

5.19.2 International Financial Reporting Standards (IFRSs)

A new series of standards called “International Financial Reporting Standards (IFRSs)” have been introduced and eight IFRSs have been issued by IASB under such series. Out of these following four IFRSs have been adopted by Institute of Chartered Accountants of Pakistan (ICAP) and also adopted by the SECP and hence would be effective from January 01, 2007:

IFRS-2 (Share based Payments);
 IFRS-3 (Business Combinations);
 IFRS-5 (Non-current Assets held for Sale and Discontinued Operations); and
 IFRS-6 (Exploration for and Evaluation of Mineral Resources).

5.20 Segment reporting

A segment is a distinguishable component of the Group that is engaged either in providing products or services (business segment), or in providing product or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments. The segment reporting format have been determined and prepared in conformity with the format of financial statements and guidelines, prescribed by the SBP vide BSD Circular No. 04 of 2006 dated February 17, 2006.

	Note	2006 ------(Rupees '000)-----	2005
6. CASH AND BALANCES WITH TREASURY BANKS			
In hand			
- local currency		45,593	54,916
- foreign currency		39,884	14,504
With SBP in	6.1		
- local currency current account		488,481	126,992
- foreign currency current account		2,250	2,378
- foreign currency deposit account - special cash reserve	6.2	18,722	3,135
- cash reserve		6,091	1,045
With National Bank of Pakistan in			
- local currency current account		60	-
		<u>601,081</u>	<u>202,970</u>

6.1 These balances are maintained to comply with the requirements of the SBP issued from time to time.

6.2 Represents mandatory reserves with SBP. This carries profit at the rate of 4.50% (2005: 1.40% to 2.69%) per annum.

	2006	2005
Note	----- (Rupees '000) -----	
7. BALANCES WITH OTHER BANKS		
In Pakistan		
- On current accounts	25,545	440
- On deposit accounts	195,414	-
Outside Pakistan		
- On current accounts	184,564	29,616
	405,523	30,056

7.1 Included herein are various deposits with other banks and carry mark-up rates ranging from 0.25% to 7.9% (2005: Nil) per annum.

8. LENDINGS TO FINANCIAL INSTITUTIONS

Call money lendings		-	292,190
Repurchase agreement lendings (Reverse Repos)	8.2	2,306,795	3,705,196
Certificates of Investment	8.3	100,000	450,000
Letters of placement	8.4	382,114	400,000
Treasury deposit receipts	8.5	711,935	-
		3,500,844	4,847,386
8.1 Particulars of lending			
In local currency		3,488,909	4,847,386
In foreign currency		11,935	-
		3,500,844	4,847,386

8.2 Securities held as collateral against lendings to financial institutions (Reverse Repos)

	Note	2006			2005		
		Held by Bank	Further given as collateral	Total	Held by Bank	Further given as collateral	Total
----- (Rupees '000) -----							
Market Treasury Bills	8.2.1	1,209,572	947,223	2,156,795	161,365	1,846,831	2,008,196
Pakistan Investment Bonds	8.2.2	-	150,000	150,000	-	1,075,000	1,075,000
Term Finance Certificates		-	-	-	111,000	-	111,000
Shares of listed companies		-	-	-	511,000	-	511,000
		1,209,572	1,097,223	2,306,795	783,365	2,921,831	3,705,196

8.2.1 Market Treasury Bills have been purchased under resale agreements at rates ranging from 8.20% to 8.90% (2005: 7.50% to 8.40%) per annum with maturities upto March, 2007.

8.2.2 Pakistan Investment Bonds have been purchased under resale agreements at rates ranging from 9.05% to 9.15% (2005: 8.00% to 8.80%) per annum with maturities upto February 2007.

- 8.3 This represents certificates of investment of financial institutions at rates ranging from 12.10% to 12.20% (2005: 10.55% to 17.00%) per annum with maturities upto February 2007.
- 8.4 This represents letters of placement with financial institutions at rates ranging from 11.50% to 12.90% (2005: 10.00% to 11.00%) per annum with maturities upto January 2007.
- 8.5 This represents placements in treasury deposit receipts of financial institutions at rates ranging from 5.06% to 12.50% (2005: Nil) per annum with maturities upto April 2007.

9. INVESTMENTS

Note	2006			2005		
	Held by Bank	Given as collateral	Total	Held by Bank	Given as collateral	Total
----- (Rupees '000) -----						
9.1 INVESTMENTS BY TYPES						
Held-for-trading securities						
Listed Companies (ordinary shares)	9.2.3	139,114	297,262	436,376	-	-
Mutual Funds (units / certificates)	9.2.7	350,000	-	350,000	-	-
		489,114	297,262	786,376	-	-
Available-for-sale securities						
Listed Companies (ordinary shares)	9.2.3	131,496	127,822	259,318	-	-
Mutual Funds (units / certificates)	9.2.7	128,720	-	128,720	60,000	60,000
Term Finance Certificates	9.2.5 & 9.2.6	328,646	541,940	870,586	394,834	394,834
Pakistan Investment Bonds	9.2.1	567,594	479,969	1,047,563	-	-
Market Treasury Bills	9.2.2	46,004	414,992	460,996	-	-
Unlisted Companies (ordinary shares)	9.2.4	31,000	-	31,000	-	-
		1,233,460	1,564,723	2,798,183	454,834	454,834
Held-to-maturity securities						
Pakistan Investment Bonds		-	-	-	-	884,205
Term Finance Certificates - unlisted						
- Dewan Cement Ltd.	9.2.6	135,247	-	135,247	-	-
Market Treasury Bills		-	-	-	229,397	155,684
		135,247	-	135,247	229,397	1,269,286
Investments at cost		1,857,821	1,861,985	3,719,806	684,231	1,039,889
Less: Provision for Diminution in value of Investments	9.3	(8,069)	-	(8,069)	-	-
Investments (Net of Provisions)		1,849,752	1,861,985	3,711,737	684,231	1,039,889
Deficit on revaluation of Held-for-trading securities	9.2.8	(14,110)	-	(14,110)	-	-
(Deficit) / surplus on revaluation of Available-for-sale securities	19	(84,920)	(64,597)	(149,517)	10,895	-
Total investments at market value		1,750,722	1,797,388	3,548,110	695,126	1,039,889

9.2 INVESTMENTS BY SEGMENTS	Note	2006 ------(Rupees '000)-----	2005
Federal Government Securities			
- Pakistan Investment Bonds	9.2.1	1,047,563	884,205
- Market Treasury Bills	9.2.2	460,996	385,081
		1,508,559	1,269,286
Fully Paid Ordinary Shares			
- Listed Companies (ordinary shares)	9.2.3	695,694	-
- Unlisted Companies (ordinary shares)			
Atlas Asset Management Ltd. (a related party)	9.2.4	30,000	-
Arabian Sea Country Club	9.2.4	1,000	-
		31,000	-
Term Finance Certificates			
- Listed	9.2.5	772,774	174,838
- Unlisted	9.2.6	233,059	219,996
		1,005,833	394,834
Other Investments			
- Mutual funds (units / certificates)	9.2.7	478,720	60,000
Total investments at cost		3,719,806	1,724,120
Less: Provision for Diminution in value of Investments	9.3	(8,069)	-
Investments (Net of Provisions)		3,711,737	1,724,120
Deficit on revaluation of Held-for-trading securities	9.2.8	(14,110)	-
(Deficit) / surplus on revaluation of Available-for-sale securities	19	(149,517)	10,895
Total investments at market value		3,548,110	1,735,015

9.2.1 These securities are for a period of ten years. The effective yield on these bonds ranges from 6.22% to 9.58% (2005: 6.2% to 8.20%) per annum with maturities from October 2011 to April 2014.

9.2.2 These securities are for a period of 1 year (2005: 6 months). The effective yield on these bills is 9.00% (2005: Nil) per annum with maturities in December 2007.

9.2.3 Details of investments in Listed Companies	Cost	
	2006 -----(No. of shares)----	2005 ------(Rupees '000)-----
Fully paid up ordinary shares of Rs. 10/- each		
Held for trading securities		
Adamjee Insurance Co. Ltd.	53,250	8,227
Askari Commercial Bank Ltd.	25,000	2,508
Azgard Nine Ltd.	200,000	4,740
Bank Alfalah Ltd.	490,000	22,209
Bank of Punjab	117,500	12,333
D.G. Khan Cement Co. Ltd.	7,000	415
MCB Bank Ltd.	88,000	21,330
National Bank of Pakistan Ltd.	483,500	116,256
Nishat Mills Ltd.	2,500	220
Oil & Gas Development Corp. Ltd.	964,500	113,498
Pakistan Oilfields Ltd.	84,000	29,825
Pakistan Petroleum Ltd.	319,500	75,154
Pakistan State Oil Co. Ltd.	72,500	21,659
Pakistan Telecommunication Co. Ltd.	180,500	8,002
Sub Total carried forward		436,376

	2006		Rating *	Market value 2006	Cost	
	2005				2006	2005
	----- (No. of shares) -----			----- (Rupees '000) -----		
Sub Total brought forward					436,376	-
Available-for-sale securities						
D.G. Khan Cement Co. Ltd.	170,000	-	N/A	10,702	14,961	-
Engro Chemicals Pakistan Ltd.	250,000	-	AA / A1+	42,250	46,396	-
Eye Television Network Ltd.	1,136,350	-	N/A	10,227	6,932	-
Fauji Fertilizer Company Ltd.	145,000	-	N/A	15,305	16,177	-
Faysal Bank Ltd.	25,000	-	AA / A1+	1,513	1,502	-
Hub Power Company Ltd.	500,000	-	N/A	13,500	12,125	-
Kot Addu Power Company Ltd.	300,000	-	N/A	12,210	12,195	-
Lucky Cement Ltd.	175,000	-	N/A	10,483	19,425	-
Maple Leaf Cement Pref. Shares	30,000	-	N/A	285	225	-
Nishat Mills Ltd.	107,500	-	A+ / A1	9,439	9,824	-
Pakistan Telecommunications Co. Ltd.	600,000	-	N/A	26,580	28,680	-
Pakistan Oilfields Ltd.	90,000	-	N/A	31,478	32,142	-
Pakistan Petroleum Ltd.	140,000	-	N/A	32,480	34,788	-
Pakistan Refinery Ltd.	12,000	-	N/A	2,597	3,390	-
SME Leasing Ltd.	902,350	-	BBB+ / A2	9,745	9,926	-
Sui Northern Gas Pipelines Ltd.	55,400	-	AA- / A1+	3,629	3,844	-
Thal Jute Ltd.	10,000	-	N/A	1,645	1,751	-
Bank of Punjab	29,062	-	AA / A1+	2,943	2,632	-
United Bank Ltd.	15,000	-	AA / A1+	2,300	2,403	-
				239,311	259,318	-
Total investments in listed companies				239,311	695,694	-

* Represents entity rating in case of investment in shares. Wherever rating of shares is not available or in case the shares are unrated, the same has been marked as 'N/A'.

9.2.4 Represents investments in the following un-listed companies:

	Note	Holding %	Net Asset value per share *	2006		2005	
				----- (Rupees '000) -----			
Related party							
Atlas Asset Management Ltd.	9.2.4.1	12	9.95	30,000	-		
Chief Executive Officer: Mr. M. Habib-ur-Rahman							
Rating: AM 3+							
3,000,000 ordinary shares of							
Rs. 10/- each							
Others							
Arabian Sea Country Club	9.2.4.2	-	-	-	-		
Chief Executive Officer: Mr. Arif Ali Khan Abbasi							
				30,000	-		

9.2.4.1 This has been classified as strategic investment in accordance with guidelines BPD Circular Letter No. 16 of 2006 dated August 01, 2006.

	No. of shares as at		2006	2005
	Dec. 31, 2006	Dec. 31, 2005		
	----- (Rupees '000) -----			
9.2.4.2 Arabian Sea Country Club	100,000	-	1,000	-
Less: Provision for impairment in value of investments			(1,000)	-
			-	-

The break-up value of shares as of June 30, 2006 based on the audited financial statements was Rs. 9.85 (June 30, 2005: Rs. 4.86).

* Net asset value per share is based on the audited financial statements for the year ended June 30, 2006 in case of Atlas Asset Management Limited.

			Rating *		Market Value		Cost	
	2006	2005	2006	2005	2006	2005	2006	2005
	(No. of certificates)				---- (Rupees '000) ----		---(Rupees '000)---	
9.2.5 Details of investments in Term Finance Certificates - Listed **								
Allied Bank Limited	3,000	-	A	-	15,000	-	15,000	-
Al - Zamin Leasing Modaraba - 1st issue - 1st tranche	4,000	-	A	A	13,600	-	13,600	-
Al - Zamin Leasing Modaraba - 1st issue - 2nd tranche	3,000	-	A	A	15,000	-	15,000	-
Askari Commercial Bank Ltd. - 2nd issue (unsecured)	6,990	6,990	AA	AA	34,936	34,950	34,936	34,950
Azgard Nine Ltd.	2,000	-	A+	A+	9,996	-	9,996	-
Bank Alfalah Ltd. - 1st issue (unsecured)	6,803	-	AA-	AA-	38,375	-	37,636	-
Bank Alfalah Ltd. - 2nd issue (unsecured)	8,079	-	AA-	AA-	40,364	-	40,364	-
Bank Alfalah Ltd. - 3rd issue (unsecured)	2,000	2,000	AA-	AA-	9,996	10,000	9,996	10,000
Bank Al-Habib Ltd. - 1st issue (unsecured)	3,480	3,480	AA-	AA-	17,386	17,393	17,386	17,393
Bank Al-Habib Ltd. - 2nd issue (unsecured)	7,000	-	AA-	-	35,000	-	35,000	-
Chanda Oil and Gas Securitization Company Ltd.	3,448	-	A	A	14,964	-	14,964	-
Crescent Leasing Corporation Ltd. - 2nd issue	2,000	-	A-	A-	10,235	-	10,145	-
Crescent Standard Investment Bank Ltd.	3,000	-	***	-	7,069	-	7,069	-
Escorts Investment Bank Ltd.	5,000	-	A+	-	25,000	-	25,000	-
First Dawood Investment Bank Ltd. - 1st issue - 2nd tranche	3,325	-	AA-	AA-	16,625	-	17,587	-
IGI Investment Bank Limited (formerly First International Investment Bank Limited)	6,000	3,000	A+	-	30,000	-	30,000	-
Gharibwal Cement Ltd.	5,000	-	A-	-	25,000	-	25,000	-
Ittehad Chemicals Ltd.	3,000	-	A-	A-	7,794	-	7,812	-
Jahangir Siddiqui & Company Ltd. - 1st issue (unsecured)	2,000	-	AA+	AA+	7,491	-	7,491	-
Jahangir Siddiqui & Company Ltd. - 2nd issue (unsecured)	5,000	-	AA+	AA+	24,975	-	24,980	-
Jahangir Siddiqui & Company Ltd. - 3rd issue	5,000	-	AA+	AA+	25,000	-	25,000	-
MCB Bank Ltd.	1,957	-	AA	AA	10,160	-	10,056	-
Pakistan Mobile Communication (Private) Ltd.	2,000	-	AA-	AA-	9,998	-	9,998	-
Pakistan Services Ltd.	2,987	-	A	A-	8,870	-	8,883	-
Pharmagen Ltd.	5,000	-	A-	A-	14,571	-	14,579	-
Searle Pakistan Ltd.	2,000	-	A-	A-	9,998	-	9,998	-
Sui Southern Gas Company Ltd. - 2nd issue - 2nd tranche	4,830	-	AA	AA	4,504	-	3,979	-
Telecard Ltd.	11,530	-	BBB	A	54,024	-	54,024	-
Trust Leasing & Investment Bank Ltd. - 1st issue	4,000	-	AA	AA	15,297	-	15,181	-
Trust Leasing & Investment Bank Ltd. - 2nd issue - 1st tranche	5,128	1,877	AA	AA	15,382	7,508	15,384	7,508
Trust Leasing & Investment Bank Ltd. - 2nd issue - 2nd tranche	6,807	5,000	AA	AA	27,228	25,000	27,228	25,000
Union Bank Ltd. - 1st issue (unsecured)	8,000	-	A+	A+	41,533	-	42,997	-
Union Bank Ltd. - 2nd issue (unsecured)	2,587	-	A+	A+	12,922	-	12,922	-
Union Bank Ltd. - 3rd issue (unsecured)	10,000	10,000	A+	A+	49,990	50,000	49,990	50,000
United Bank Ltd. (unsecured)	11,000	6,000	AA-	AA-	54,958	29,987	54,958	29,987
World Call Telecom Limited	3,727	-	AA-	AA-	21,435	-	18,635	-
Total investments in Term Finance Certificates - Listed					774,676	174,838	772,774	174,838

* Represents instrument rating in case of investment in term finance certificates.

** Secured and have face value of Rs. 5,000/- each, unless specified otherwise.

*** Rating suspended by Credit Rating Agency.

9.2.5.1 Other particulars of listed term finance certificates are as follows:

Particulars	Rate	Profit payment	Redemption terms
Allied Bank Limited	1.90% above 6 Months KIBOR Rate (no floor no cap).	Semi-annually	Eight years from December 6, 2006.
Al - Zamin Leasing Modaraba - 1st issue - 1st tranche	Minimum 8.00% per annum. If modaraba generates profits in excess of 8.00% return, it will be distributed in the same ratio that has been the basis of sharing minimum expected profit.	Semi-annually	Five years from December 24, 2003.
Al - Zamin Leasing Modaraba - 1st issue - 2nd tranche	Minimum 9.50% per annum. If modaraba generates profits in excess of 9.50% return, it will be distributed in the same ratio that has been the basis of sharing minimum expected profit.	Semi-annually	Five years from May 31, 2005.
Askari Commercial Bank Ltd. -2nd Issue	1.50% above 6 Months KIBOR Rate (no floor no cap).	Semi-annually	Eight years from October 31, 2005.
Azgard Nine Limited	2.40% over simple average of six months KIBOR (ask side).	Semi-annually	Seven years from September 20, 2005.
Bank Alfalah Limited - 1st issue (Unsecured)	1.35% over the cut-off yield on the last successful SBP auction of five-years Pakistan Investment Bonds with 10.00% per annum as floor and 15.00% per annum as ceiling.	Semi-annually	Six years from December 19, 2002.
Bank Alfalah Limited - 2nd issue (Unsecured)	1.50% over simple average of six months KIBOR (ask side).	Semi-annually	Eight years from November 23, 2004.
Bank Alfalah Limited - 3rd issue (Unsecured)	1.50% above 6 Months KIBOR Rate (no floor no cap).	Semi-annually	Eight years from November 25, 2005.
Bank Al-Habib Limited - 1st issue (Unsecured)	1.50% above 6 Months KIBOR Rate (Floor of 3.5% per annum Cap of 10% per annum).	Semi-annually	Eight years from July 15, 2004.
Bank Al-Habib Limited - 2nd issue (Unsecured)	1.95% above 6 Months KIBOR Rate (no floor no cap).	Semi-annually	Eight years from February 7, 2007
Chanda Oil and Gas Securitisation Company Limited	3.25% over seven days average of three months KIBOR (ask side) with a floor of 8.95% per annum and a ceiling of 13.00% per annum.	*	Seven years from January 25, 2005.
Crescent Leasing Corporation Limited - 2nd issue	2.00% over the cut-off yield on the last successful SBP auction of five-years Pakistan Investment Bonds with 12.00% per annum as floor and 15.75% per annum as ceiling.	Semi-annually	Put option on the sixtieth month from September 5, 2002 and at the end of every three years thereafter with 30 days notice, and a call option to call the TFCs outstanding on the sixtieth month from the issue date and at the end of every three years thereafter with 30 days notice period.
Crescent Standard Investment Bank Limited	2.00% over SBP discount rate with 10.50% per annum as floor and 13.50% per annum as ceiling.	Semi-annually	Four years from July 8, 2003 with call option exercisable from the eighteenth month till the expiry of thirty-sixth month from the date of public subscription with a 60 days advance notice. A call premium of 0.50% will be offered on the outstanding principal amount.

* First profit payment is payable on semi annual basis. All subsequent profit payments are due on quarterly basis.

Particulars	Rate	Profit payment	Redemption terms
Escorts Investment Bank Limited	2.50% above 6 Months KIBOR Rate (Floor of 8% p.a. & Cap of 17% p.a. for first three years and 8% & 18% respectively for 4th and 5th year).	Semi-annually	Call option available at any time after the expiry of 2 years from the date of issue.
First Dawood Investment Bank Limited - 1st issue - 2nd tranche	1.75% over SBP discount rate with 12.25% per annum as floor and 16.25% per annum as ceiling.	Semi-annually	Call and put option available on July 27, 2007 and every five years thereafter.
IGI Investment Bank Limited (formerly First International Investment Bank Limited)	2.25% over six months KIBOR (ask side).	Semi-annually	Five years from July 11, 2006.
Gharibwal Cement Limited	3% above 6 months KIBOR Rate.	Semi-annually	Five years from the date of issue.
Ittehad Chemicals Limited	2.50% over SBP discount rate with 7.00% per annum as floor and 12.00% per annum as ceiling.	Semi-annually	Five years from June 27, 2003 with call option exercisable after a period of eighteen months from the last date of public subscription with a 60 days notice period.
Jahangir Siddiqui & Company Limited - 1st issue (unsecured)	1.50% over the cut-off yield on the last successful SBP auction of five-years Pakistan Investment Bonds with 7.50% per annum as floor and 13.00% per annum as ceiling.	Semi-annually	Five years from April 18, 2003 with call option exercisable at any time after the first six months at three months notice. A call premium of 1.00% will be offered on the outstanding principal amount.
Jahangir Siddiqui & Company Limited - 2nd issue (unsecured)	8.29% per annum.	Semi-annually	Five years from November 22, 2004 with call option exercisable at any time from 30th month to the 54th month with 30 days advance notice. A call premium of 1.00% will be offered on the outstanding principal amount.
Jahangir Siddiqui & Co Limited - 3rd issue	2.5% above 6 months KIBOR Rate.	Semi-annually	Five and a half year from November 21, 2006.
MCB Bank Limited	1.50% over the cut-off yield on the last successful SBP auction of five-years Pakistan Investment Bonds with 11.75% per annum as floor and 15.75% per annum as ceiling.	Semi-annually	Five and a half years from August 10, 2003.
Pakistan Mobile Communication (Private) Limited	2.85% over six months KIBOR (ask side).	Semi-annually	Five years from May 31, 2006.
Pakistan Services Limited	2.25% over SBP discount rate with 9.75% per annum as floor and 13.75% per annum as ceiling.	Semi-annually	Five years from November 12, 2003.
Pharmagen Limited	2.50% over the weighted average rate of the last three cut-off rates of five years Pakistan Investment Bonds with 8.50% per annum as floor and 11.50% per annum as ceiling.	Semi-annually	Five years from October 17, 2003. The first principal payment to be made in the 24th month from the date of issue.
Searle Pakistan Limited	2.50% above 6 Months KIBOR Rate (no floor no cap).	Semi-annually	Five years from March 09, 2006.
Sui Southern Gas Company Limited - 2nd issue - 2nd tranche	1.10% over SBP discount rate with 11.50% per annum as floor and 16.00% per annum as ceiling.	Semi-annually	Five years from June 04, 2002.
Telecard Limited	3.75% over simple average of six months KIBOR (ask side).	Semi-annually	Six years from May 27, 2005.
Trust Leasing & Investment Bank Limited - 1st issue	2.00% over SBP discount rate with 9.00% per annum as floor and 14.00% per annum as ceiling.	Semi-annually	Five years from June 3, 2003 with call option exercisable at any time after two and a half years, in whole or in part, from the date of issue with a 30 days notice period.
Trust Leasing & Investment Bank Limited - 2nd issue - 1st Tranche	3.00% over six months KIBOR (ask side) with 6.00% per annum as floor and 10.00% per annum as ceiling.	Semi-annually	Five years from July 17, 2004 with call option exercisable at any time after three years, from the date of issue with a 60 days notice period.
Trust Leasing & Investment Bank Limited - 2nd issue - 2nd tranche	2.00% over six months KIBOR (ask side).	Semi-annually	Five years from November 15, 2005 with call option exercisable at any time after three years, from the date of issue with a 60 days notice period.

Particulars	Rate	Profit payment	Redemption terms
Union Bank Limited - 1st issue (unsecured)	2.25% over the cut-off yield on the last successful SBP auction of five-years Pakistan Investment Bonds with 11.00% per annum as floor and 15.50% per annum as ceiling.	Semi-annually	Five and a half years from December 21, 2002.
Union Bank Limited - 2nd issue (unsecured)	0.75% over the cut-off yield on the latest cut off yield of five-years Pakistan Investment Bonds conducted by SBP with 5.00% per annum as floor and 10.75% per annum as ceiling.	Semi-annually	Seven years from January 19, 2004.
Union Bank Limited - 3rd issue (unsecured)	1.75% above 6 months KIBOR Rate.	Semi-annually	Seven years from the date of issue.
United Bank Limited (unsecured)	8.45% per annum.	Semi-annually	Eight years from August 10, 2004.
Worldcall Telecom Limited	2.75% above 6 Months KIBOR Rate (no floor no cap).	Semi-annually	Five years from November 28, 2006.

	2006	2005	Rating **		2006	2005
			2006	2005		
	(No. of certificates)		------(Rupees '000)-----			
9.2.6 Details of investments in Term Finance Certificates - Un-listed *						
Al-Noor Sugar Mills Limited						
- 1st issue - 2nd tranche	2	1	A-	A-	29,982	19,996
Development Securitization Trust						
- Associated Constructors Limited	5,000	-	BBB-	-	5,556	-
Dewan Cement Limited - Series A	1	-	N/A	-	135,016	-
Dewan Cement Limited - Series B	1	-	N/A	-	231	-
Grays Leasing Limited	3,000	-	N/A	-	5,625	-
New Khan Transport Company (Private) Limited	10	-	N/A	-	8,150	-
Pakistan International Airlines Corporation Limited	4,000	-	N/A	-	18,499	-
Pakistan Mobile Communication (Private) Limited	-	40,000	N/A	N/A	-	200,000
Pakistan Mobile Communication (Private) Limited (unsecured)	5,000	-	N/A	-	20,000	-
Security Leasing Corporation Limited	2,000	-	N/A	-	10,000	-
Total investments in Term Finance Certificates - Un-listed - at cost					<u>233,059</u>	<u>219,996</u>

* Secured and have face value of Rs. 5,000/- each except for Al-Noor Sugar Mills Limited (Rs.10 million and Rs.20 million each), New Khan Transport Company (Private) Limited (Rs.1 million each), Dewan Cement Limited - Series A (Rs.180.91 million each) and Dewan Cement Limited - Series B (Rs.1.03 million each).

** Represents instrument rating in case of investment in term finance certificates. Wherever rating of instrument is not available or in case the instrument is unrated, the same has been marked as 'N/A'.

9.2.6.1 Other particulars of unlisted term finance certificates are as follows:

Particulars	Rate	Profit payment	Redemption terms
Al-Noor Sugar Mills Limited - 1st issue - 2nd tranche Managing Director: Mr. Ismail H. Zakaria	4.20% over six months KIBOR (ask side) with 8.00% per annum as floor and 14% per annum as ceiling.	Semi-annually	Five years from March 31, 2005.
Development Securitization Trust - Associated Constructors Limited	4.00% over thirty days average of three months KIBOR (ask side) with 7.50% per annum as floor and no ceiling.	Quarterly	Two and a half years from September 19, 2004.
Dewan Cement Limited - Series A Chief Operating Officer: Syed Muhammad Ali Khan	2.50% over six months KIBOR (ask side).	Semi-annually	Semi-annually from January 15, 2005.
Dewan Cement Limited - Series B Chief Operating Officer: Syed Muhammad Ali Khan	NIL	NIL	Semi-annually from January 15, 2012.
Grays Leasing Limited Chief Executive Officer: Abdul Rashid Mir	3.75% over the cut off rate of last one year of Treasury Bills with 5.00% per annum as floor and 9.00% per annum as ceiling.	Semi-annually	Four years from January 13, 2004.
New Khan Transport Company (Private) Limited Chief Executive Officer: Mohammad Ashraf	4.50% over seven days of six months KIBOR (ask side) with 8.50% per annum as floor and no ceiling.	Monthly	Monthly from December 1, 2006.
Pakistan International Airlines Corporation Limited Chief Executive Officer: Tariq Kirmani	0.50% over SBP discount rate with 8.00% per annum as floor and 12.50% per annum as ceiling.	Semi-annually	Eight years from February 20, 2003 with call option exercisable at the end of the twenty-fourth, forty-eighth and seventy-second month from the issue date, on either one or all of the above dates, in whole or in part, with a 90 days notice period.
Pakistan Mobile Communications (Private) Limited (Unsecured) Chief Executive Officer: Zohair Khaliq	2.25% over the simple average rate of the last three cut-off rates of six month Treasury Bills with 6.00% per annum as floor and 12.00% per annum as ceiling.	Semi-annually	Five years from September 16, 2003. The first installment falling due on 36th month from the date of disbursement.
Security Leasing Corporation Limited Chief Executive Officer: M. R. Khan	2.40% over six months KIBOR (ask side).	Semi-annually	Five years from March 28, 2006.

	No. of Untis / certificates		Rating *		Cost	
	2006	2005	2006	2005	2006	2005
	---- (Rupees '000) ----					
9.2.7 Details of investments in mutual funds						
Held-for-trading						
Open ended						
Dawood Money Market Fund	1,904,695	-	5-star	-	200,000	-
Reliance Income Fund	2,937,623	-	N/A	-	150,000	-
					<u>350,000</u>	<u>-</u>

	No. of Untis / certificates		Rating *		Market Value		Cost	
	2006	2005	2006	2005	2006	2005	2006	2005
	----- (Rupees '000) -----							
Available-for-sale securities								
Open ended								
Atlas Income Fund (a related party)	60,003	-	5-star	-	31,466	-	30,277	-
Atlas Stock Market Fund (a related party)	58,195	-	5-star	-	32,175	-	32,416	-
Faysal Balance Growth Fund	-	250,000	3-star	N/A	-	31,645	-	25,000
Unit Trust of Pakistan - Fund of Funds	237,488	-	5-star	-	11,687	-	12,235	-
Close ended								
First Dawood Mutual Fund	1,161,500	-	4-star	-	7,376	-	8,080	-
Pakistan Strategic Allocation Fund	2,566,500	2,500,000	4-star	N/A	21,815	29,250	27,215	25,000
PICIC Energy Fund	412,500	1,000,000	N/A	N/A	3,176	10,000	4,125	10,000
UTP-Large Capital Fund	1,796,500	-	4-star	-	14,372	-	14,372	-
					<u>122,067</u>	<u>70,895</u>	<u>128,720</u>	<u>60,000</u>
					<u>122,067</u>	<u>70,895</u>	<u>478,720</u>	<u>60,000</u>

* Represents instrument rating in case of investments in units / certificates. Wherever rating of instrument is not available or in case the instrument is unrated, the same has been marked as 'N/A'.

	2006	2005
	---(Rupees '000)---	
9.2.8 Unrealised (loss) / gain on revaluation of investments classified as Held-for-trading		
Listed Companies (ordinary shares)	(14,797)	-
Mutual Funds (units / certificates)	687	-
	<u>(14,110)</u>	<u>-</u>
9.3 Particulars of provision		
Opening Balance	-	-
Charge for the year	3,320	-
Reversals	-	-
Transferred upon amalgamation	4,749	-
Closing Balance	<u>8,069</u>	<u>-</u>
9.3.1 Particulars of provision in respect of Type and Segment		
Available-for-sale securities		
Term Finance Certificates - Listed	7,069	-
Unlisted Companies (ordinary shares)	1,000	-
	<u>8,069</u>	<u>-</u>

Note	2006 ------(Rupees '000)-----	2005
10. ADVANCES		
Loans, cash credits, running finances, etc.		
In Pakistan	3,064,411	684,638
Outside Pakistan	-	-
	3,064,411	684,638
Net investment in finance lease		
In Pakistan	3,741,601	52,702
Outside Pakistan	-	-
10.2	3,741,601	52,702
Bills discounted and purchased (excluding treasury bills)		
Payable in Pakistan	55,054	66,618
Payable outside Pakistan	67,323	8,918
	122,377	75,536
Financing in respect of Continuous Funding System (CFS)	896,830	-
Advances - gross	7,825,219	812,876
Provision for non-performing advances		
- specific	(356,678)	(10,421)
- general (against consumer financing)	(8,649)	(3,044)
10.4	(365,327)	(13,465)
Advances - Net of provision	7,459,892	799,411
10.1 Particulars of advances (Gross)		
10.1.1 In local currency	7,757,896	803,958
In foreign currency	67,323	8,918
	7,825,219	812,876
10.1.2 Short term (for upto one year)	2,279,186	438,984
Long term (for over one year)	5,546,033	373,892
	7,825,219	812,876

10.2 Net investment in finance leases

	2006				2005			
	Not later than one year	Later than one and less than five years	Over five years	Total	Not later than one year	Later than one and less than five years	Over five years	Total
	------(Rupees '000)-----							
Lease rentals receivable	455,017	2,976,118	-	3,431,135	10,635	42,058	-	52,693
Residual value	310,536	493,211	-	803,747	-	9,078	-	9,078
Minimum lease payments	765,553	3,469,329	-	4,234,882	10,635	51,136	-	61,771
Financial charges for future period	(64,131)	(429,150)	-	(493,281)	(2,145)	(6,924)	-	(9,069)
Present value of minimum lease payments	701,422	3,040,179	-	3,741,601	8,490	44,212	-	52,702

The direct expenses incurred in relation to a finance lease such as documentation charges, stamp duty etc. are reimbursed to the Bank by the respective lessees and net balance representing excess / short reimbursement, if any, is taken to the profit and loss account. However, there are no material initial direct cost associated with lease receivables.

- 10.3 Advances include Rs.493.911 million (2005: Rs.13.465 million) which have been placed under non-performing status as detailed below:

Category of classification	2006								
	Classified Advances			Provision Required			Provision Held		
	Domestic	Overseas	Total	Domestic	Overseas	Total	Domestic	Overseas	Total
	----- (Rupees '000) -----								
Other Assets Especially Mentioned	-	-	-	-	-	-	-	-	-
Substandard	110,911	-	110,911	27,728	-	27,728	27,728	-	27,728
Doubtful	52,029	-	52,029	20,478	-	20,478	20,478	-	20,478
Loss	330,971	-	330,971	308,472	-	308,472	308,472	-	308,472
	<u>493,911</u>	<u>-</u>	<u>493,911</u>	<u>356,678</u>	<u>-</u>	<u>356,678</u>	<u>356,678</u>	<u>-</u>	<u>356,678</u>

- 10.4 Particulars of provision against non-performing advances

	2006			2005		
	Specific	General	Total	Specific	General	Total
	----- (Rupees '000) -----					
Opening balance	10,421	3,044	13,465	10,082	807	10,889
Charge for the year	55,830	-	55,830	339	2,237	2,576
Reversals	-	(955)	(955)	-	-	-
	55,830	(955)	54,875	339	2,237	2,576
Amount written off	(673)	-	(673)	-	-	-
Transferred upon amalgamation	291,100	6,560	297,660	-	-	-
Closing balance	<u>356,678</u>	<u>8,649</u>	<u>365,327</u>	<u>10,421</u>	<u>3,044</u>	<u>13,465</u>

- 10.4.1 Particulars of provision against non-performing advances

	2006			2005		
	Specific	General	Total	Specific	General	Total
	----- (Rupees '000) -----					
In local currency	356,678	8,649	365,327	10,421	3,044	13,465
In foreign currencies	-	-	-	-	-	-
	<u>356,678</u>	<u>8,649</u>	<u>365,327</u>	<u>10,421</u>	<u>3,044</u>	<u>13,465</u>

- 10.5 Particulars of write offs

- 10.5.1 Against provisions
Directly charged to profit and loss account

2006
----- (Rupees '000) -----
2005

- 10.5.2 Write offs of Rs.500,000 and above
Write offs of below Rs.500,000

673	-
-	-
<u>673</u>	<u>-</u>
673	-
-	-
<u>673</u>	<u>-</u>

10.6 Details of loan write off of Rs.500,000 and above

In terms of sub-section 3 of section 33A of the Banking Companies Ordinance, 1962 the statement in respect of written-off loans or any other financial relief of Rs. 500,000 or above allowed to a person(s) during the year ended December 31, 2006.

S. No.	Name and address of the Borrower	Name of individuals/ partners / directors with N.I.C. No.	Father's / Husband Name	Outstanding liabilities at January 1, 2006				Principal written off	Interest/ Mark-up written off	Other financial relief provided	Total
				Principal	Interest/ Mark-up	Others	Total				
----- (Rupees '000) -----											
1.	Masood Ahmed Bhatti R/O, House No. B-85, Block-B, Kazimabad, Malir Town, Karachi.	449-68-013038	Siddique Ahmed Bhatti	1,685	288	702	2,675	673	288	702	1,663

10.7 Particulars of loans and advances to directors, associated companies, subsidiaries etc.

Debts due by directors, executives or officers of the Group or any of them either severally or jointly with any other persons

	2006	2005
	----- (Rupees '000) -----	
Balance at beginning of year	564	-
Transferred upon amalgamation	18,122	-
Loans granted during the year	1,368	645
Repayments	(1,385)	(81)
Balance at end of year	18,669	564

Debts due by companies or firms in which the directors of the Group are interested as directors, partners or in the case of private companies as members

Balance at beginning of year	-	-
Transferred upon amalgamation	25,510	-
Loans granted during the year	51,110	-
Repayments	(5,626)	-
Balance at end of year	70,994	-

Debts due by subsidiary companies, controlled firms, managed modarabas and other related parties

Balance at beginning of year	-	-
Transferred upon amalgamation	1,389	-
Loans granted during the year	-	-
Repayments	(273)	-
Balance at end of year	1,116	-
	90,779	564

	Note	2006 ------(Rupees '000)-----	2005
11. OPERATING FIXED ASSETS			
Capital work-in-progress	11.1	62,015	18,536
Property and equipment - own use	11.2	175,341	45,397
Property and equipment - operating lease	11.3	34,319	-
Intangible assets	11.4	197,782	62,711
		<u>469,457</u>	<u>126,644</u>
11.1 Capital work-in-progress			
Civil works		19,863	-
Equipments		7,193	2,196
Advances to suppliers and contractors		34,809	16,340
Others		150	-
		<u>62,015</u>	<u>18,536</u>

11.2 Property and equipment - own use

	2006								
	COST			ACCUMULATED DEPRECIATION					
	As at January 1, 2006	Acquired upon amal- gamation	Additions / (Deletions)	As at December 31, 2006	As at January 1, 2006	Charge for the year / (Deletions)	As at December 31, 2006	Book value as at December 31, 2006	Rate of Depreci- ation (%)
	------(Rupees '000)-----								
Furniture, fixtures and equipment	20,048	18,694	23,883	62,625	4,717	3,421	8,138	54,487	10
Vehicles	12,644	25,662	15,701 (8,887)	45,120	3,783	4,528 (3,735)	4,576	40,544	20
Leasehold improvements	11,237	11,632	22,895	45,764	1,771	2,673	4,444	41,320	10
Computer and allied equipment	21,729	14,534	20,658	56,921	9,990	7,941	17,931	38,990	30
December 31, 2006	<u>65,658</u>	<u>70,522</u>	<u>83,137</u> <u>(8,887)</u>	<u>210,430</u>	<u>20,261</u>	<u>18,563</u> <u>(3,735)</u>	<u>35,089</u>	<u>175,341</u>	

	2005								
	COST			ACCUMULATED DEPRECIATION				Book value as at December 31, 2005	Rate of Depreciation (%)
	As at January 1, 2005	Additions / (Deletions)	As at December 31, 2005	As at January 1, 2005	Charge for the year / (Deletions)	As at December 31, 2005			
(Rupees '000)									
Furniture, fixtures and equipment	11,878	8,597 (427)	20,048	3,240	1,811 (334)	4,717	15,331	10 - 20	
Vehicles	8,572	5,015 (943)	12,644	2,584	1,450 (251)	3,783	8,861	20	
Leasehold improvements	4,415	14,042 (7,220)	11,237	562	2,877 (1,668)	1,771	9,466	25	
Computer and allied equipment	12,375	9,354	21,729	6,501	3,489	9,990	11,739	20-33.33	
December 31, 2005	37,240	37,008 (8,590)	65,658	12,887	9,627 (2,253)	20,261	45,397		

11.2.1 Included in cost of operating fixed assets are fully depreciated items still in use having cost of Rs. 14.76 million (December 31, 2005: Rs. 16.74 million).

11.2.2 The fair value of property and equipment as per the management estimate is not materially different from the carrying amount.

11.3 Property and equipment - operating lease

	2006								
	COST			ACCUMULATED DEPRECIATION				Book value as at December 31, 2006	Rate of Depreciation (%)
	As at January 1, 2006	Acquired upon amalgamation	Additions / (Deletions)	As at December 31, 2006	As at January 1, 2006	Charge for the year / (Deletions)	As at December 31, 2006		
(Rupees '000)									
Equipment	-	35,667	-	35,667	-	1,486	1,486	34,181	10
Computer and allied equipment	-	158	-	158	-	20	20	138	30
December 31, 2006	-	35,825	-	35,825	-	1,506	1,506	34,319	

11.4 Intangible assets

	2006								
	COST			ACCUMULATED AMORTISATION				Book value as at December 31, 2006	Rate of Amortisation (%)
	As at January 1, 2006	Acquired upon amalgamation	Additions / (Deletions)	As at December 31, 2006	As at January 1, 2006	Charge for the year / (Deletions)	As at December 31, 2006		
(Rupees '000)									
Computer software	26,032	4,147	9,082	39,261	15,121	3,158	18,279	20,982	30
Cards - Note 11.4.1	-	110,000	-	110,000	-	-	-	110,000	
Tenancy rights - Note 11.4.2	51,800	15,000	-	66,800	-	-	-	66,800	
December 31, 2006	77,832	129,147	9,082	216,061	15,121	3,158	18,279	197,782	

	2005							
	COST			ACCUMULATED AMORTISATION				
	As at January 1, 2005	Additions / (Deletions)	As at December 31, 2005	As at January 1, 2005 (Rupees '000)	Charge for the year / (Deletions)	As at December 31, 2005	Book value as at December 31, 2005	Rate of Amorti- sation(%)
Computer software	17,786	8,246	26,032	10,051	5,070	15,121	10,911	20
Tenancy rights	-	51,800	51,800	-	-	-	51,800	
December 31, 2005	17,786	60,046	77,832	10,051	5,070	15,121	62,711	

11.4.1 These represents membership cards of Karachi, Lahore and Islamabad Stock Exchanges.

These have an indefinite useful life and are carried at cost and not amortised.

11.4.2 This represents the consideration paid by the Group in connection with the transfer of tenancy rights in favour of the Group in respect of the property situated at the Karachi Stock Exchange. The ownership of the property rests with Karachi Stock Exchange and the afore-mentioned payments have only been made for the right to occupy the premises for the purposes of the Group's business.

These tenancy rights have an indefinite useful life and are carried at cost and not amortised.

11.5 Disposal of assets

Description	Cost	Accumulated depreciation	Book value	Sale proceeds	Profit/ (loss)	Mode of disposal	Particulars of purchaser
Vehicles	1,301	741	560	504	(56)	Group policy	Mr. M. Moazzam Khan Ex. Chief Executive Officer
	1,209	420	789	789	-	---- do----	----- do-----
	519	26	493	530	37	---- do----	Mr. Frahim Ali Khan Executive Director
	248	12	236	254	18	---- do----	Mr. Kashif Hafeez Employee
	35	2	33	43	10	---- do----	Mr. Salman Rizvi Employee
	662	66	596	662	66	---- do----	Mr. Imran Zia Ex. Employee
	969	404	565	765	200	Tender	Col. Waqar Haider B-32, Jafaria Colony, Bund Road, Lahore
	560	118	442	461	19	---- do----	Cap. Rifaqat Ali Khan B-105, Block 3, Clifton Garden No. 1, Karachi
	560	118	442	462	20	---- do----	----- do-----
	560	118	442	471	29	---- do----	Mr. Zaheer Amin House No. 373, Lane No. 5, Azam Basti, Mehmoodabad, Karachi.
	969	415	554	730	176	---- do----	Mr. Zeeshan Akbar House No 710/11 Fatimah Jinnah Colony, Jamshaid Road 2, New Town, Karachi.
	567	567	-	279	279	---- do----	Mr. Noman Hassan A-98, Block 12, Federal B Area, Karachi.
	728	728	-	107	107	---- do----	Mr. Mohammad Rafiq 264 Tilak Street, Jamshaid Road, Karachi.
Grand total	8,887	3,735	5,152	6,057	905		

12. OTHER ASSETS	Note	2006 ------(Rupees '000)-----	2005
Income / Mark-up accrued in local currency		148,400	82,671
Income / Mark-up accrued in foreign currency		149	-
Advances, deposits, advance rent and other prepayments	12.1	110,239	61,207
Advance taxation (payments less provisions)		90,038	18,924
Branch adjustment account		22,532	-
Stationery and stamps on hand		1,409	1,620
Deferred Costs - unamortised balance	12.2	25,609	37,107
Goodwill	12.3	516,498	-
Receivable against sale of securities		34,926	-
Receivable from brokers		6,542	-
Receivable from equity brokerage house clients		523,413	-
Deposit with stock exchanges		89,241	-
Derivatives - equity futures		8,819	-
Brokerage commission receivable		1,051	-
Profit receivable on deposit accounts		10,360	-
Other charges recoverable from lessees		6,446	-
Others		2,220	-
		1,597,892	201,529
Less: Provision held against other assets	12.4	(8,081)	-
Other assets (Net of Provision)		1,589,811	201,529
12.1 Advances			
for purchase of land	12.1.1	32,000	-
office rent		52,017	50,928
others		1,978	72
Security deposits		15,159	9,090
Prepayments		9,085	1,117
		110,239	61,207
12.1.1 This represents consideration amount deposited in a Banking Court for purchase of land and building of British Biscuits Company (Private) Limited, in auction proceedings. The confirmation of sale of the property has been challenged by the judgment debtors in the Honourable Lahore High Court. In case the High Court accepts the appeal, the purchase price shall be refunded to the Group.			
12.2 Balance at the beginning of the year		37,107	48,605
Amortisation for the year		(11,498)	(11,498)
Balance at the end of the year		25,609	37,107
This represents the consideration of US Dollars 1 million paid to Bank of Ceylon (BOC), Colombo under the scheme of amalgamation between the Bank and the BOC Pakistan operations sanctioned by the State Bank of Pakistan. This consideration is being amortised over a period of five years from the date of commencement of commercial operations.			
12.3 Balance at the beginning of the year		-	-
Addition during the year	1.5	538,954	-
Amortisation for the year		(22,456)	-
Balance at the end of the year		516,498	-
12.4 Provision against other assets			
Opening balance		-	-
Charge for the year		-	-
Reversals		-	-
Amount written off		-	-
Transferred upon amalgamation		8,081	-
		8,081	-

	Note	2006 ------(Rupees '000)-----	2005
13. BILLS PAYABLE			
In Pakistan		50,158	25,602
Outside Pakistan		-	-
		<u>50,158</u>	<u>25,602</u>
14. BORROWINGS			
In Pakistan		4,125,949	4,096,777
Outside Pakistan		-	-
		<u>4,125,949</u>	<u>4,096,777</u>
14.1 Particulars of borrowings with respect to currencies			
In local currency		4,125,949	4,096,777
In foreign currencies		-	-
		<u>4,125,949</u>	<u>4,096,777</u>
14.2 Details of borrowings			
Secured			
Borrowings from State Bank of Pakistan under export refinance scheme	14.2.1	425,835	40,000
Borrowings from banks	14.2.2	1,637,402	-
Repurchase agreement borrowings	8.2, 9.1 & 14.2.3	1,962,712	3,806,777
		<u>4,025,949</u>	<u>3,846,777</u>
Unsecured			
Call borrowings		-	250,000
Loan from a related party	14.2.4	100,000	-
		<u>4,125,949</u>	<u>4,096,777</u>
14.2.1 These represent borrowings from SBP under export refinance scheme at the rate of 6.50% (2005: 7.50%) per annum having maturities upto June 2007.			
14.2.2 Secured			
Loan 1	14.2.2.2	83,333	-
Loan 2	14.2.2.3	4,167	-
Loan 3	14.2.2.4	100,000	-
Loan 4	14.2.2.5	50,000	-
Loan 5	14.2.2.6	208,333	-
Loan 6	14.2.2.7	225,000	-
Loan 7	14.2.2.8	466,667	-
Running finance facility	14.2.2.9	499,902	-
		<u>1,637,402</u>	<u>-</u>
14.2.2.1 All the loans stated from loan 1 to 3 and 6 to 7 above are secured by pari passu floating charge on the present and future leased assets, hypothecation of movable assets and receivables of the Bank and demand promissory notes. Loan 4 is secured against hypothecation of receivables against term finances and loan 5 is secured 50% by pari-passu floating charge on the present and future leased assets, hypothecation of movable assets and receivables of the Bank, demand promissory notes and 50% by hypothecation of receivables against term finances.			
14.2.2.2 This represents the balance of a loan facility of Rs.500,000,000 obtained from a banking company. The loan is repayable in 6 equal semi annual installments which commenced from November 12, 2004 and carries mark-up at six months average KIBOR (ask side) plus 1.00% per annum with no floor and no cap.			
14.2.2.3 This represents the balance of a loan facility of Rs.225,000,000 obtained from a banking company. The loan is repayable in 6 equal semi annual installments which commenced from June 26, 2004 and carries mark-up at the rate of last six months Treasury Bills cut-off yield plus 2.50% per annum with a floor of 4.25% per annum and no cap.			
14.2.2.4 This represents the balance of a loan facility of Rs.300,000,000 obtained from a banking company. The loan is repayable in 6 equal semi annual installments which commenced from May 03, 2005 and carries mark-up at six months average KIBOR (ask side) plus 1.00% per annum with no floor and no cap.			

- 14.2.2.5 This represents the balance of a loan facility of Rs.150,000,000 obtained from a banking company. The loan is repayable in 12 equal quarterly installments which commenced from February 25, 2005 and carries mark-up at six months average KIBOR (ask side) plus 1.25% with no floor and no cap.
- 14.2.2.6 This represents the balance of a loan facility of Rs.500,000,000 obtained from a banking company. The loan is repayable in 12 equal quarterly installments which commenced from June 19, 2005 and carries mark-up at six months average KIBOR (ask side) plus 1.00% per annum with no floor and no cap.
- 14.2.2.7 This represents the balance of a loan facility of Rs.450,000,000 obtained from a banking company. The loan is repayable in 6 semi annual installments which commenced from September 29, 2005 and carries mark-up at the base rate plus 1.00% per annum with no floor and no cap. Base rate shall be six months average KIBOR (ask side) prevailing on the last working day of the preceding six months period for the mark-up due at the end of that period.
- 14.2.2.8 This represents the balance of a loan facility of Rs.800,000,000 obtained from a banking company. The loan is repayable in 12 equal quarterly installments which commenced from December 27, 2005 and carries mark-up at six months average KIBOR rate (ask side) plus 1% per annum with no floor and no cap.
- 14.2.2.9 This represents utilized portion of running finance facility of Rs.500 million under mark-up arrangement from a banking company carrying mark-up rate of 0.50% over three months KIBOR with no floor and no cap. The arrangement is secured by pledge of registered term finance certificates.
- 14.2.3 These represent borrowings at rates ranging from 8.50% to 9.50% (2005: 7.00% to 8.55%) per annum having maturities upto March 2007.
- 14.2.4 This has been obtained during the year by the subsidiary company from a related party. The loan is repayable over a term of 3 years and carries mark-up at six months average KIBOR (ask side) plus 1.5% per annum with no floor and cap.

	2006	2005
	------(Rupees '000)-----	
15. DEPOSITS AND OTHER ACCOUNTS		
Customers		
Fixed deposits	2,412,613	470,595
Savings deposits	929,567	430,634
Current accounts – Non-remunerative	399,540	306,693
Margin and other accounts	23,404	7,455
	3,765,124	1,215,377
Financial Institutions		
Remunerative deposits	5,071,593	964,604
Non-remunerative deposits	6,229	6,024
	5,077,822	970,628
	8,842,946	2,186,005
15.1 Particulars of deposits		
In local currency	8,734,074	2,161,605
In foreign currencies	108,872	24,400
	8,842,946	2,186,005
16. DEFERRED TAX LIABILITIES - NET		
Deferred tax credit arising due to:		
Differences in accounting base and tax base of:		
- operating fixed assets	24,698	-
- net investment in finance lease	344,898	-
Deferred tax debits arising in respect of:		
- Provision against other assets	(2,828)	-
- Employee benefits	(4,754)	-
- Deficit on revaluation of investments	(31,724)	-
- Provision against advances	(104,587)	-
- Tax losses	(145,783)	-
- Other deductible temporary differences	(1,775)	-
	(291,451)	-
	78,145	-

	Note	2006 ------(Rupees '000)-----	2005
17. OTHER LIABILITIES			
Mark-up / return / interest payable in local currency	17.1	150,606	29,701
Mark-up / return / interest payable in foreign currency		879	292
Accrued expenses		17,718	5,045
Payable to BOC, Colombo		20,611	21,651
Tax relating to BOC - Pakistan Operations		-	9,294
Branch adjustment account		-	101
Retention money		856	442
Payable to staff gratuity fund	32.1.2 & 32.1.3	861	457
Security deposits against leases		783,872	9,078
Accrued short term employee benefits		18,749	2,004
Payments from clients / lessees received on account		31,190	-
Payable to equity brokerage house clients		292,957	-
Payable to stock exchanges		123,605	-
Others		23,656	35,890
		<u>1,465,560</u>	<u>113,955</u>

17.1 Includes herein Rs.3.01 million (2005: Nil) accrued mark-up on borrowings by the subsidiary company from a related party.

18. SHARE CAPITAL

18.1 Authorised capital (Note 1.3)

2006	2005		Note	2006 ------(Rupees '000)-----	2005
Number of shares				------(Rupees '000)-----	
<u>500,000,000</u>	200,000,000	Ordinary shares of Rs 10/- each		<u>5,000,000</u>	<u>2,000,000</u>

18.2 Issued, subscribed and paid-up capital

2006	2005		Note	2006 ------(Rupees '000)-----	2005
		Ordinary shares of Rs 10/- each			
153,700,000	106,000,000	At the beginning of the year - for cash		1,537,000	1,060,000
-	47,700,000	Issued during the year for cash consideration		-	477,000
158,891,642	-	Issued during the year other than for cash consideration	1.5	1,588,916	-
<u>312,591,642</u>	<u>153,700,000</u>			<u>3,125,916</u>	<u>1,537,000</u>

19. (DEFICIT) / SURPLUS ON REVALUATION OF ASSETS - NET OF TAX

Available for sale securities		
Government securities	(124,759)	-
Listed Companies (ordinary shares)	(20,007)	-
Mutual Funds (units / certificates)	(6,653)	10,895
Term Finance Certificates	1,902	-
	<u>(149,517)</u>	<u>10,895</u>
Related deferred taxation	31,724	-
	<u>(117,793)</u>	<u>10,895</u>

20. CONTINGENCIES AND COMMITMENTS

20.1 Direct credit substitutes

Includes general guarantees of indebtedness, bank acceptances and standby letters of credit serving as financial guarantees for loans and securities issued in favour of :

	2006 ------(Rupees '000)-----	2005
i) Government	-	-
ii) Banking companies and other financial institutions	-	-
iii) Others	910,507	-
	910,507	-
20.2 Transaction-related contingent liabilities		
Includes performance bonds, bid bonds, shipping guarantees and standby letters of credit etc. favouring:		
i) Government	8,958	48,221
ii) Banking companies and other financial institutions	6,202	10,000
iii) Others	610,187	227,634
	625,347	285,855
20.3 Other contingencies		
- underwriting of shares and modaraba certificates	15,000	-
- underwriting of TFCs	60,000	-
20.4 Commitment in respect of forward lending		
- commitment to extend credits	1,253,189	-
20.5 Commitment in respect of forward exchange contracts		
- purchase	106,653	-
20.6 Commitment for the acquisition of operating fixed assets	27,819	11,285
20.7 Other commitments for		
- purchase of securities	40,000	-
- financing in respect of continuous funding system	440,975	-

21. DERIVATIVE INSTRUMENTS

The Group carried out derivative transactions in respect of equity futures and forward rate agreements.

The management is committed to managing risk and controlling business and financial activities in a manner which enables it to maximize profitable business opportunities, avoid or reduce risks, which can cause loss or reputation damage, ensure compliance with applicable laws and regulations and resilience to external events. The Group's business is conducted within a develop control framework, duly approved by the Board of Directors. The management has developed a structure that clearly defined roles, responsibilities and reporting lines.

The Asset Liability Committee regularly reviews the Group's risk profile in respect of derivatives. Operational procedures and controls have been established to facilitate complete, accurate and timely processing of transactions and derivative activities. These controls include appropriate segregation of duties, regular reconciliation of accounts, and the valuation of assets and positions. The Group has established trading limits, allocation processes, operating controls and reporting requirements that are specifically designed to control risk of aggregate positions, assure compliance with accounting and regulatory standards and provide accurate management information regarding these activities.

Accounting policies in respect of derivative financial instruments are prescribed in note 5.13.

		2006							
		----- (Rupees '000) -----							
		Interest Rate Swaps		Forward Rate Agreements		FX Options		Others	
Counterparties		No. of Contracts	Notional Principal	No. of Contracts	Notional Principal	No. of Contracts	Notional Principal	No. of Contracts	Notional Principal
With banks for									
Hedging		-	-	-	-	-	-	-	-
Market Making		-	-	2	106,653	-	-	1	308,677
With FIs other than banks									
Hedging		-	-	-	-	-	-	-	-
Market Making		-	-	-	-	-	-	-	-
With other entities for									
Hedging		-	-	-	-	-	-	-	-
Market Making		-	-	-	-	-	-	-	-
Total									
Hedging		-	-	-	-	-	-	-	-
Market Making		-	-	2	106,653	-	-	-	308,677
		-	-	2	106,653	-	-	1	308,677

21.2 Maturity Analysis

Forward Rate Agreements

Remaining Maturity

	No. of Contracts	Notional Principal	Mark to Market		
			Negative	Positive	Net
Upto 1 month	3	415,330	60	8,819	8,759
1 to 3 months	-	-	-	-	-
3 to 6 months	-	-	-	-	-
6 month to 1 Year	-	-	-	-	-
1 to 2 Years	-	-	-	-	-
2 to 3 Years	-	-	-	-	-
3 to 5 Years	-	-	-	-	-
5 to 10 Years	-	-	-	-	-
Above 10 Years	-	-	-	-	-

	Note	2006	2005
		----- (Rupees '000) -----	

22. MARK-UP / RETURN / INTEREST EARNED

On loans and advances to:

Customers	458,426	104,829
Financial institutions	138,173	19,510

On investments in:

Available-for-sale securities	91,795	15,869
Held-to-maturity securities	47,900	89,007

On deposits with financial institutions

On securities purchased under resale agreements	5,484	382
---	-------	-----

	148,654	150,538
	<u>890,432</u>	<u>380,135</u>

23. MARK-UP / RETURN / INTEREST EXPENSED

Deposits		560,941	42,562
Securities sold under repurchase agreements		97,181	176,555
Pledge cost		5,312	-
Long term borrowings	23.1	75,063	-
Other short term borrowings		39,861	23,169
		<u>778,358</u>	<u>242,286</u>

23.1 Includes herein Rs. 8.54 million mark-up expense on a loan obtained by a subsidiary company from a related party.

	Note	2006 ------(Rupees '000)-----	2005
24. GAIN ON SALE OF SECURITIES			
Listed companies - (ordinary shares)		50,867	-
Mutual funds (units / certificates)		23,273	-
		74,140	-
25. OTHER INCOME			
Net profit on sale of property and equipment	11.5	905	83
Penalty refunded by the State Bank of Pakistan		-	213
Profit on receivable from brokerage house clients		10,422	-
Profit on bank accounts		11,749	-
Others	25.1	3,112	945
		26,188	1,241

25.1 Includes income from various general banking services such as cheque book charges, cheque return charges, cheque handling charges, rent of lockers etc.

26. ADMINISTRATIVE EXPENSES			
Salaries, allowances, etc.		106,025	33,200
Charge for defined benefit plan	32.1.4	1,111	979
Contribution to defined contribution plan		4,812	792
Non executive directors' fees		80	-
Rent, taxes, insurance, electricity, etc.		61,962	32,262
Legal and professional charges		23,531	4,540
Communications		22,531	8,377
Repairs and maintenance		11,052	7,062
Stationery and printing		6,291	1,494
Advertisement and publicity		8,670	3,221
Donations		-	1,000
Auditors' remuneration	26.1	3,591	562
Depreciation	11.2 & 11.3	20,069	9,627
Amortisation	26.2	37,112	16,568
Brokerage and commission		10,960	6,075
Travelling and motor car expenses		8,771	1,099
Entertainment		1,598	446
Fee and subscription		6,476	149
Security services		2,612	653
Others		1,435	2,801
		338,689	130,907

	Note	2006 ------(Rupees '000)-----	2005
26.1 Auditors' remuneration			
Audit fee - statutory		1,100	200
Review of half yearly financial statements		150	100
Special audit, certifications and other advisory services		1,901	122
Tax services		122	100
Out-of-pocket expenses		318	40
		<u>3,591</u>	<u>562</u>
26.2 Amortisation			
Intangible assets	11.4	3,158	5,070
Deferred cost	12.2	11,498	11,498
Goodwill	12.3	22,456	-
		<u>37,112</u>	<u>16,568</u>
27. OTHER CHARGES			
Penalties imposed by the State Bank of Pakistan		524	90
28. TAXATION			
Current	28.1	15,285	1,902
Prior years	28.2	(105,934)	-
Deferred		(45,204)	3,836
		<u>(135,853)</u>	<u>5,738</u>

28.1 In respect of the Bank, the charge for current tax represents minimum tax in accordance with section 113 of the Income Tax Ordinance, 2001. The tax liability of the subsidiary company has been determined under the final tax regime. Accordingly, reconciliation of tax expense with the accounting profit is not presented.

28.2 Above pertains to the following:

Assessment years 2001-2002 and 2002-2003

The Bank had received tax refund amounting to Rs. 22.183 million in respect of the above assessment years and accordingly, included in the prior year taxation.

Assessment years 1997-1998 to 2002-2003, tax years 2003 and 2004

In respect of the above years, the assessments made by the Taxation Officer for the years whereby the assessing officer apportioned / allocated financial expenses against exempt income for the said years. The Bank preferred an appeal against the said orders before the Commissioner of Income Tax (Appeals) which was decided in favour of the Bank. However, the department filed an appeal against the appellate order before the Income Tax Appellate Tribunal (ITAT), Karachi which disapproved the contention of the department and directed the assessing officer to allow expenses against exempt income by identifying their nature and relation amongst the various sources of income. The revised assessments have not been made by the tax department and accordingly, no tax liability in respect thereof exists at the balance sheet date.

According to the legal counsel of the Bank, considering the latest judgement of the Honourable Lahore High Court in a similar case, the action of the tax department will not stand the test of appeal and that there will be favourable outcome on all the issues as the findings of CIT(A) are based on judgements passed by Higher Courts. In view of the above, the management believes that the outcome of the above pending assessments would be favourable and hence, the provisions made in respect of the above matters have been reversed.

		2006 ------(Rupees '000)-----	2005
29. BASIC AND DILUTED EARNINGS PER SHARE			
Profit for the year after taxation		22,352	3,788
		Number of shares in thousand	
Weighted average number of ordinary shares in issue		221,610	136,711
		Rupee	Rupee
Earnings per share - Basic and diluted		0.10	0.03
	Note	2006 ------(Rupees '000)-----	2005
30. CASH AND CASH EQUIVALENTS			
Cash and balances with treasury banks	6	601,081	202,970
Balances with other banks	7	405,523	30,056
		1,006,604	233,026
31. STAFF STRENGTH			
Permanent		278	125
Temporary / on contractual basis		29	27
Total staff strength		307	152

32. DEFINED BENEFIT PLAN AND CONTRIBUTORY PLANS

32.1 Defined benefit plan

32.1.1 Principal actuarial assumptions

The actuarial valuation of the Group's defined benefit plan based on Projected Unit Credit Actuarial Cost Method was carried out at December 31, 2006. Following are the significant assumptions used in the valuation:

	2006	2005
Discount rate - percent (per annum)	10	9
Expected rate of return on plan assets - percent (per annum)	10	9
Long term rate of salary increase - percent (per annum)	9	9

	Note	2006 ------(Rupees '000)-----	2005 ------(Rupees '000)-----
32.1.2 Reconciliation of payable to defined benefit plan			
Present value of defined benefit obligation		21,743	1,785
Fair value of plan assets		(14,994)	(1,372)
Net actuarial (loss) / gain not recognised		(5,888)	44
	17	<u>861</u>	<u>457</u>
32.1.3 Movement in payable to defined benefit plan			
Opening balance		457	545
Charge for the year		1,111	979
Contribution to fund made during the year		(1,908)	(1,067)
Transferred on amalgamation		1,201	-
Closing balance	17	<u>861</u>	<u>457</u>
32.1.4 Charge for defined benefit plan			
Current service cost		867	1,406
Interest cost		640	98
Expected return on plan assets		(402)	(66)
Recognition of transitional assets		-	(459)
Actuarial loss / (gain) recognised		6	-
Charge for the year		<u>1,111</u>	<u>979</u>
32.1.5 Actual return on plan assets			
		<u>439</u>	<u>7</u>

32.2 Defined contribution plan

The general description of the plan is included in note 5.12.

33. COMPENSATION OF DIRECTORS AND EXECUTIVES

	President & CEO		Directors		Executives	
	2006	2005	2006	2005	2006	2005
	------(Rupees '000)-----					
Managerial remuneration	4,453	1,944	2,079	-	24,664	5,790
Retirement benefits	514	324	199	-	2,192	557
Rent and house maintenance	1,743	875	814	-	9,737	2,605
Utilities	387	225	181	-	2,164	1,255
Medical	6	68	86	-	122	299
Conveyance	22	264	-	-	44	1,301
Other	1,063	447	572	-	220	303
	<u>8,188</u>	<u>4,147</u>	<u>3,931</u>	<u>-</u>	<u>39,143</u>	<u>12,110</u>
Number of persons	<u>1</u>	<u>1</u>	<u>1</u>	<u>-</u>	<u>24</u>	<u>19</u>

In addition to the above, certain executives have been provided with free use of Group's maintained vehicles and other benefits under the service contracts.

Executives are employees whose basic salary exceeds Rs. 500,000/- in a financial year.

34. FAIR VALUE OF FINANCIAL INSTRUMENTS

34.1 On-balance sheet financial instruments

	2006		2005	
	Book Value	Fair Value	Book Value	Fair Value
	(Rupees in '000)			
Assets				
Cash and balances with treasury banks	601,081	601,081	202,970	202,970
Balances with other banks	405,523	405,523	30,056	30,056
Lendings to financial institutions	3,500,844	3,500,844	4,847,386	4,847,386
Investments	3,548,110	3,548,110	1,735,015	1,735,015
Advances	7,037,960	7,037,960	799,411	799,411
Other assets	870,060	870,060	91,761	91,761
	<u>15,963,578</u>	<u>15,963,578</u>	<u>7,706,599</u>	<u>7,706,599</u>
Liabilities				
Bills payable	50,158	50,158	25,602	25,602
Borrowings	4,125,949	4,125,949	4,096,777	4,096,777
Deposits and other accounts	8,842,946	8,842,946	2,186,005	2,186,005
Liabilities against assets subject to finance lease	-	-	-	-
Other liabilities	650,497	650,497	113,955	113,955
	<u>13,669,550</u>	<u>13,669,550</u>	<u>6,422,339</u>	<u>6,422,339</u>

34.2 Off-balance sheet financial instruments

Forward purchase of foreign exchange	106,653	106,593	-	-
Forward lending	1,253,189	1,253,189	-	-
Financing in respect of continuous funding system	440,975	440,975	-	-

The fair value of quoted securities is based on the quoted market price. Fair value of unquoted investments is based on its net assets value of the investee.

Fair value of fixed term financing, other assets, other liabilities and fixed term deposits cannot be calculated with sufficient reliability due to absence of current and active market for assets and liabilities and reliable data regarding market rates for similar instruments. The provision for impairment of advances has been calculated in accordance with the Group's accounting policy as stated in note 5.6 of these financial statements.

The effective rates and repricing profile & maturity are stated in notes 41 and 42 respectively.

In the opinion of the management, the fair value of the remaining financial assets (with the exception of securities held to maturity) and financial liabilities are not significantly different from their carrying values since assets and liabilities are either short term in nature or in the case of customer financing and deposits are frequently repriced.

35. SEGMENT DETAILS WITH RESPECT TO BUSINESS ACTIVITIES

	Corporate Finance	Trading & Sales	Retail Banking	Commercial Banking	Payment & Settlement	Agency Services	Retail Brokerage	Others
	(Rupees in '000)							
December 31, 2006								
Total income	585	617,153	54,409	310,415	503	5	79,195	-
Total expenses	-	467,873	178,846	472,996	-	-	56,051	-
Net income / (loss) before tax	585	149,280	(124,437)	(162,581)	503	5	23,144	-
Segment Assets	-	7,961,803	989,995	6,752,435	-	-	1,328,378	542,107
Segment Non Performing Loans	-	-	41,478	452,433	-	-	-	-
Segment Provision Required	-	-	20,013	336,665	-	-	-	-
Segment Liabilities	-	7,146,348	728,193	6,146,393	-	-	541,824	-
Segment Return on Assets (ROA) (%)	-	1.87%	-12.57%	-2.41%	-	-	1.74%	-
Segment Cost of funds (%)	-	10.65%	9.12%	9.46%	-	-	11.29%	-
December 31, 2005								
Total income	56	351,312	15,170	24,231	78	-	-	-
Total expenses	-	237,328	85,604	58,389	-	-	-	-
Net income / (loss) before tax	56	113,984	(70,434)	(34,158)	78	-	-	-
Segment Assets	-	6,680,448	443,364	790,800	-	-	-	37,107
Segment Non Performing Loans	-	-	3,387	10,082	-	-	-	-
Segment Provision Required	-	-	339	10,082	-	-	-	-
Segment Liabilities	-	5,350,595	406,061	665,683	-	-	-	-
Segment Return on Assets (ROA) (%)	-	1.71%	-15.89%	-4.32%	-	-	-	-
Segment Cost of funds (%)	-	5.90%	4.87%	5.31%	-	-	-	-

36. RELATED PARTY TRANSACTIONS

Related parties comprises of group companies, staff retirement funds, key management personnel and major shareholders of the Group.

The details of transactions with related parties during the year other than those which have been disclosed elsewhere in these financial statements are as follows:

	2006	2005
	------(Rupees '000)-----	
<u>Key management personnel</u>		
Advances		
As at Jan, 01	363	-
Disbursements	-	420
Transferred upon amalgamation	17,197	-
Repayments	(1,163)	(57)
As at Dec, 31	16,397	363
Deposits		
As at Jan, 01	-	-
Transferred upon amalgamation	2,864	-
Receipts	15,051	-
Withdrawals	(11,739)	-
As at Dec, 31	6,176	-
Mark-up / return / interest earned	508	-
Mark-up / return / interest expensed	79	-
Shares issued	1,096,220	-
Rent expense	348	-
<u>Companies having directors in common with the Group</u>		
Advances		
As at Jan, 01	-	-
Transferred upon amalgamation	32,981	-
Disbursements	25,510	-
Repayments	(5,626)	-
As at Dec, 31	52,865	-
Running Finance	18,129	-
Deposits		
As at Jan, 01	26,528	4,782
Receipts	3,408,113	150,905
Withdrawals	(2,496,507)	(129,159)
As at Dec, 31	938,134	26,528
Mark-up / return / interest earned	2,443	-
Mark-up / return / interest expensed	20,640	180
Shares issued	37,186	477,000
Rent & other expenses	-	7,902
Insurance premium	2,238	-
Insurance claim received	798	-
Printing & stationary expense	517	-
Purchase of photocopier & PABX	417	-
Purchase of electrical equipments	483	-
Purchase of motor vehicles	12,043	-
Advance for purchase of Motor Vehicles	8,976	-
Brokerage expense	-	60
Additions to fixed assets	288	-
Payments to Atlas Bank Limited - Employees Gratuity Fund	1,908	-
Payments to Atlas Bank Limited - Employees Provident Fund	4,099	-
Operating lease rental income	5,144	-
Brokerage income	5,595	-

37. CAPITAL ADEQUACY

The risk weighted assets to capital ratio, calculated in accordance with the State Bank's guidelines on capital adequacy was as follows:-

	2006 ------(Rupees '000)-----	2005 ------(Rupees '000)-----
Regulatory Capital Base		
Tier I Capital		
Shareholders Capital/Assigned Capital	3,125,916	1,537,000
Reserves	2,494	758
Unappropriated / unremitted profits (Net of Losses)	1,343	(19,273)
Less: Adjustments	(634,291)	(37,107)
Total Tier I Capital	2,495,462	1,481,378
Tier II Capital		
Subordinated Debt (upto 50% of total Tier I Capital)	-	-
General Provisions subject to 1.25% of Total Risk Weighted Assets	8,649	5,448
Revaluation Reserve (upto 50%)	-	-
Total Tier II Capital	8,649	5,448
Eligible Tier III Capital		
Total Regulatory Capital (a)	2,504,111	1,486,826

	2006		2005	
	Book Value	Risk Adjusted Value	Book Value	Risk Adjusted Value
	----- (Rupees in '000) -----			
Risk-Weighted Exposures				
Credit Risk				
Balance Sheet Items:-				
Cash and other liquid Assets	1,006,604	81,105	233,026	6,011
Money at call	-	-	292,190	58,438
Lending to Financial Institutions	3,500,844	1,194,049	4,555,196	1,472,000
Investments	3,548,110	353,812	1,735,015	-
Loans and Advances	7,459,892	7,179,244	799,411	686,739
Fixed Assets	469,457	469,457	126,644	126,644
Other Assets	1,589,811	962,969	210,237	108,593
	17,574,718	10,240,636	7,951,719	2,458,425
Off Balance Sheet items:-				
Loan Repayment Guarantees	97,097	97,097	109,136	109,136
Purchase and Resale Agreements	-	-	622,000	-
Performance Bonds etc	43,928	21,964	43,961	21,981
Revolving Underwriting Commitments	-	-	-	-
Standby Letters of Credit	462,241	231,120	110,865	55,433
Outstanding Foreign Exchange Contracts				
-Purchase	106,653	640	-	-
-Sale	-	-	-	-
Credit risk-weighted exposures	709,919	350,821	885,962	186,550
Market Risk				
General market risk		1,620,119		151,637
Specific market Risk		2,052,213		552,577
Market risk-weighted exposures		3,672,332		704,214
Total Risk-Weighted exposures (b)		14,263,789		3,349,189
Capital Adequacy Ratio [(a) / (b) x 100]		17.56		44.39

38. RISK MANAGEMENT

38.1 Credit Risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and will cause the other party to incur a financial loss. The Group has not only well defined credit risk policy manuals and processes but also a system in place to periodically review these policies and processes against market and regulatory requirements. Despite the rapid growth in assets, portfolio quality was kept at an excellent level across all products, accompanied by a solid track record of credit recoveries.

The Group has a well-defined credit structure duly approved by the Board of Directors under which the credit committee comprising of senior officers with required credit background are operating which critically scrutinize and sanction financing. The Group's credit risk management is based on a highly refined target market and counterparty screening process, supported by ongoing client monitoring, industry analysis and comprehensive portfolio management techniques. In addition to monitoring the cash flow of obligors, the bank manages the credit exposure by entering into collateral arrangements with counterparties in appropriate circumstances, and by limiting the duration of exposure. While managing credit risk exposure, the bank ensures that its customers meet the minimum credit standards defined by the Group's management and through diversification of lending activities to ensure that there is no undue concentration of risks with individuals, or within groups of customers in specific locations or businesses.

The Group continually assesses and monitors credit exposures to ensure timely identification of potential problem credits. The Group has a credit classification and review system in place to assist in managing the quality of the credit risk within its lending portfolio. The Group follows both objective and subjective criteria of SBP regarding loans classification. The subjective assessment process is based on management's judgment with respect to the borrower's character, activity, cash flow, capital structure, security, quality of management and delinquency. The credit review is done on an ongoing basis. Independent of the Group's credit and risk management, the recovery efforts against infected portfolio is carried on an ongoing basis through Special Asset Management Department.

38.2 Segment by class of business

	2006					
	Advances (Gross)		Deposits		Contingencies and Commitments	
	Rs. in '000	Percent	Rs. in '000	Percent	Rs. in '000	Percent
Textile	1,398,633	17.87%	10,138	0.11%	288,589	8.29%
Chemical and Pharmaceuticals	263,057	3.36%	45,011	0.51%	8,317	0.24%
Cement	5,725	0.07%	-	-	20,000	0.57%
Sugar	78,811	1.01%	-	-	-	-
Footwear and Leather garments	63,963	0.82%	-	-	-	-
Automobile and transportation equipments	62,053	0.79%	181,442	2.05%	269,536	7.75%
Electronics and Electrical Appliances	154,279	1.97%	1,645	0.02%	209,711	6.03%
Construction	390,310	4.99%	115,117	1.30%	115,633	3.32%
Power, Gas, Water, Oil, Sanitary	358,888	4.59%	40,000	0.45%	23,420	0.67%
Transport, Storage and Communication	461,891	5.90%	153,442	1.74%	284,871	8.19%
Financial	955,064	12.20%	5,071,675	57.35%	662,628	19.04%
Insurance	-	-	190,628	2.16%	3,800	0.11%
Services	1,154,861	14.76%	818,009	9.25%	877,677	25.22%
Individuals	615,488	7.87%	1,408,274	15.93%	-	-
Paper & Board	502,081	6.42%	31,685	0.36%	26,093	0.75%
Steel & Engineering	721,192	9.22%	-	-	237,943	6.84%
Others	638,923	8.16%	775,880	8.77%	451,272	12.97%
	7,825,219	100.00%	8,842,946	100.00%	3,479,490	100.00%

38.3 Segment by sector

	2006					
	Advances (Gross)		Deposits		Contingencies and Commitments	
	Rs. in '000	Percent	Rs. in '000	Percent	Rs. in '000	Percent
Public / Government	-	-	85,000	0.96%	8,958	0.26%
Private	7,825,219	100.00%	8,757,946	99.04%	3,470,532	99.74%
	7,825,219	100.00%	8,842,946	100.00%	3,479,490	100.00%

38.4 Details of non-performing advances and specific provisions by class of business segment

	2006		2005	
	Classified Advances	Specific Provisions Held	Classified Advances	Specific Provisions Held
	Rs. in '000		Rs. in '000	
Textile	160,683	150,543	8,014	8,014
Chemical and Pharmaceuticals	30,113	29,337	-	-
Automobile and transportation equipments	19,379	19,379	-	-
Electronics and Electrical Appliances	855	855	-	-
Construction	8,318	2,527	-	-
Power (electricity), Gas, Water, Sanitary	48	24	-	-
Transport, Storage and Communication	30,261	19,728	-	-
Services	94,395	37,369	-	-
Individual	41,478	20,013	3,387	339
Paper & Board	22,611	10,689	-	-
Steel & Engineering	31,252	17,914	-	-
Others	54,518	48,300	2,067	2,068
	<u>493,911</u>	<u>356,678</u>	<u>13,468</u>	<u>10,421</u>

38.5 Details of non-performing advances and specific provisions by sector

Public / Government	-	-	-	-
Private	493,911	356,678	13,468	10,421
	<u>493,911</u>	<u>356,678</u>	<u>13,468</u>	<u>10,421</u>

39. GEOGRAPHICAL SEGMENT ANALYSIS

	2006			
	Loss before taxation	Total assets employed	Net assets employed	Contingencies and commitments
	----- (Rupees in '000) -----			
Pakistan	(113,501)	17,574,718	3,011,960	3,479,490
Asia Pacific (including South Asia)	-	-	-	-
Europe	-	-	-	-
United States of America and Canada	-	-	-	-
Middle East	-	-	-	-
Others	-	-	-	-
	<u>(113,501)</u>	<u>17,574,718</u>	<u>3,011,960</u>	<u>3,479,490</u>

Total assets employed include intra group items of Rs.30 million.

40. MARKET RISK

40.1 The Group's over-arching risk management philosophy is to maximize the risk bearing capacity available to support its business activities. One way to achieve this is to minimize exposure to market sources of risk such as interest rate risk, foreign exchange risk, and equity price risk. The objectives of market risk management are twofold: a) examine the Group's policies and guidelines for managing market risk and assess their effectiveness; and b) evaluate the impact of other policy changes on the way the Group manages market risk.

40.2 Foreign Exchange Risk

The Group has adopted a comprehensive system for the measurement and management of foreign exchange risk. Part of this risk management process involves managing the Group's exposure to fluctuations in foreign exchange rates in order to minimize its exposure to currency and risk to acceptable levels as determined by management. The Board of Directors sets limits on the level of exposure by currency and in total for overnight positions. Positions are monitored on a daily basis and hedging strategies are used to ensure positions are maintained within established limits.

2006

	Assets	Liabilities	Off-balance sheet items	Net foreign Currency exposure
	----- (Rupees in '000) -----			
Pakistan rupee	16,805,923	14,007,755	(106,653)	2,691,515
United States dollar	640,904	535,964	106,653	211,593
Great Britain pound	53,256	17,358	-	35,898
Japanese yen	1,574	-	-	1,574
Euro	73,061	1,681	-	71,380
	<u>17,574,718</u>	<u>14,562,758</u>	<u>-</u>	<u>3,011,960</u>

40.3 Interest rate risk

The Group has clear objectives, strategies, and risk tolerance level in order to protect it from interest rate risk. To achieve this objective, the Group matches the interest rate sensitivity of its assets and liabilities by placing them into various time buckets according to the earlier of contractual re-pricing or maturity dates. The Group is exposed to interest rate risk as a result of mismatches or gaps in the amounts of assets and liabilities and off-balance sheet instruments that mature or re-price in a given period. The Group manages this risk by matching the re-pricing of assets and liabilities through risk management strategies. The Group has also a system in place to monitor the effectiveness of its policies and limits.

40.4 Equity Position Risk

In order to better utilize its liquidity, the Group often invest its liquidity in capital market by utilizing various financial instruments (Shares, Mutual Funds etc.) and dealing with a multitude of counterparties and securities organizations. All of these transactions involve, to varying degrees, the risk that the counterparty in the transactions may be unable to meet its obligation to the Group. The Group maintains stringent rating eligibility criteria for counterparties and adheres to a framework of exposure limits based on counterparty credit rating and size, subject to prudential limits imposed by State Bank of Pakistan. To ensure the execution of and compliance to overall risk management policies and guidelines in terms of exposure limits, concentration limits and volatility limits on the Group's assets and liabilities, the treasury risk manager plays a focal role in the continued monitoring of such exposures and reporting for periodic realignment purposes.

41. MISMATCH OF INTEREST RATE SENSITIVE ASSETS AND LIABILITIES

Yield / interest rate sensitivity position for on balance sheet instruments is based on the earlier of contractual re-pricing and maturity date and for off-balance sheet instruments is based on settlement date.

Effective Yield/ Interest rate %	2006										Non Interest bearing financial instruments	
	Total	Up to 1 month	Over 1 to 3 months	Over 3 to 6 months	Over 6 months to 1 year	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 5 years	Over 5 to 10 years	Over 10 years		
(Rupees in '000)												
On-balance sheet financial instruments												
Assets												
Cash and balances with treasury banks	4.50%	601,081	18,722	-	-	-	-	-	-	-	-	582,359
Balances with other banks	7.90%	405,523	195,414	-	-	-	-	-	-	-	-	210,109
Lendings to financial institutions	9.83%	3,500,844	2,527,301	761,608	211,935	-	-	-	-	-	-	-
Investments	9.38%	3,548,110	97,686	518,875	379,468	499,044	41,284	68,348	221,333	858,055	-	864,017
Advances	12.30%	7,037,960	1,742,475	1,099,998	1,247,329	1,514,703	545,831	250,964	390,648	11,530	224,262	10,220
Other assets	18.00%	870,060	145,789	-	-	-	-	-	-	-	-	724,271
		15,963,578	4,727,387	2,380,481	1,838,732	2,013,747	587,115	319,312	611,981	869,585	224,262	2,390,976
Liabilities												
Bills payable	-	50,158	-	-	-	-	-	-	-	-	-	50,158
Borrowings	9.60%	4,125,949	2,212,614	465,833	664,168	366,667	316,667	100,000	-	-	-	-
Deposits and other accounts	10.83%	8,842,946	1,333,747	4,858,753	1,078,751	1,026,388	38,352	49,730	28,052	-	-	429,173
Other liabilities	-	650,497	-	-	-	-	-	-	-	-	-	650,497
		13,669,550	3,546,361	5,324,586	1,742,919	1,393,055	355,019	149,730	28,052	-	-	1,129,828
On-balance sheet gap		2,294,028	1,181,026	(2,944,105)	95,813	620,692	232,096	169,582	583,929	869,585	224,262	1,261,148
Off balance sheet financial instruments												
Commitment to extend credits		1,253,189	-	194,000	299,000	760,189	-	-	-	-	-	-
Financing in respect of continuous funding system		440,975	440,975	-	-	-	-	-	-	-	-	-
Forward rate agreements		106,653	-	-	-	-	-	-	-	-	-	106,653
Off balance sheet gap		1,800,817	440,975	194,000	299,000	760,189	-	-	-	-	-	106,653
Total Yield/Interest Risk Sensitivity Gap			740,051	(3,138,105)	(203,187)	(139,497)	232,096	169,582	583,929	869,585	224,262	1,154,495
Cumulative Yield/Interest Risk Sensitivity Gap			740,051	(2,398,054)	(2,601,241)	(2,740,738)	(2,508,642)	(2,339,060)	(1,755,131)	(885,546)	(661,284)	493,211

41.1 Interest rate risk is the risk that the value of the financial instrument will fluctuate due to changes in the market interest rate.

41.2 The interest rate exposure taken by the Group arises from investing in corporate, small medium enterprises, consumer financing, investment banking and interbank activities where variation in market interest rates may affect the profitability of the Group. This risk is addressed by an Asset and Liability Management Committee which reviews the interest rate dynamics at regular intervals and decides repricing of assets and liabilities ensuring that the spread of the Group remains at an acceptable level.

41.3 The advances and deposits of the Group are repriced on a periodic basis based on interest rates scenario.

42. MATURITIES OF ASSETS AND LIABILITIES

The table below summarises the maturity profile of the Group's assets and liabilities. The contractual maturities of assets and liabilities at the year end have been determined on the basis of the remaining period at the balance sheet date to the contractual maturity date and do not take account of the effective maturities as indicated by the Group's deposit retention history and the availability of liquid funds. Assets and liabilities not having a contractual maturity are assumed to mature on the expected date on which the assets / liabilities will be realised / settled.

	2006									
	Total	Up to 1 month	Over 1 to 3 months	Over 3 to 6 months	Over 6 months to 1 year	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 5 years	Over 5 to 10 years	Over 10 years
	(Rupees in '000)									
Assets										
Cash and balances with treasury banks	601,081	601,081	-	-	-	-	-	-	-	-
Balances with other banks	405,523	405,523	-	-	-	-	-	-	-	-
Lendings to financial institutions	3,500,844	2,527,301	761,608	211,935	-	-	-	-	-	-
Investments	3,548,110	166,102	671,285	248,976	685,528	188,821	137,605	366,709	1,053,085	29,999
Advances	7,459,892	1,523,293	581,008	884,089	1,871,379	1,263,747	726,863	574,389	34,683	441
Operating fixed assets	469,457	22,322	6,508	45,787	29,433	34,179	28,539	39,031	39,837	223,821
Other assets	1,589,811	744,508	112,346	20,028	148,816	26,291	5,450	6,854	521,629	3,889
	<u>17,574,718</u>	<u>5,990,130</u>	<u>2,132,755</u>	<u>1,410,815</u>	<u>2,735,156</u>	<u>1,513,038</u>	<u>898,457</u>	<u>986,983</u>	<u>1,649,234</u>	<u>258,150</u>
Liabilities										
Bills payable	50,158	50,158	-	-	-	-	-	-	-	-
Borrowings	4,125,949	2,212,614	465,833	664,168	366,667	316,667	100,000	-	-	-
Deposits and other accounts	8,842,946	1,333,747	4,882,157	1,241,059	1,269,849	38,352	49,730	28,052	-	-
Sub-ordinated loans	-	-	-	-	-	-	-	-	-	-
Liabilities against assets subject to finance lease	-	-	-	-	-	-	-	-	-	-
Deferred tax liabilities	78,145	-	-	-	(40)	-	81,371	(2,963)	(223)	-
Other liabilities	1,465,560	543,092	238,411	149,360	283,801	163,391	72,476	15,029	-	-
	<u>14,562,758</u>	<u>4,139,611</u>	<u>5,586,401</u>	<u>2,054,587</u>	<u>1,920,277</u>	<u>518,410</u>	<u>303,577</u>	<u>40,118</u>	<u>(223)</u>	<u>-</u>
Net assets	<u>3,011,960</u>	<u>1,850,519</u>	<u>(3,453,646)</u>	<u>(643,772)</u>	<u>814,879</u>	<u>994,628</u>	<u>594,880</u>	<u>946,865</u>	<u>1,649,457</u>	<u>258,150</u>
Share capital	3,125,916									
Reserves	2,494									
Accumulated loss	1,343									
	<u>3,129,753</u>									
Deficit on revaluation of assets	(117,793)									
	<u>3,011,960</u>									

42.1 Savings and current deposits have been classified in the ratio of 40% and 60% in over 3 to 6 months and over 6 months to 1 year respectively as they do not have any fixed contractual maturity. However, it is expected that these deposits will be maintained over a longer period.

42.2 Liquidity risk is the risk that the Group will be unable to meet its net funding requirements. Liquidity risk can be caused by market disruptions or credit downgrades, which may cause certain sources of funding to become unavailable. To mitigate this risk, management has diversified funding sources and assets are managed with liquidity in mind, maintaining an appropriate balance of cash, cash equivalents and readily marketable securities.

The Group holds sufficient liquid assets to enable it to continue normal operations even in the unlikely event that it is unable to obtain fresh resources from the money market for an extended period of time. The Group's policy requires maintaining a prudential minimum of liquidity based on projected net loan transfers, contingent liabilities and debt service payments. Equally, the Group's policy permits the increase of liquid resources up to an operating level based on the minimum in addition to taking into account undisbursed and irrevocable commitments to take advantage of low cost funding opportunities as they arise.

The contractual maturities of assets and liabilities have been determined on the basis of the remaining period at the balance sheet date to the contractual maturity date and do not take account of the effective maturities as indicated by the Group's deposit retention history and the availability of liquid funds. Management monitors the maturity profile to ensure that adequate liquidity is maintained.

In accordance with SBP regulations, the Group maintains a statutory cash reserve requirement (CRR) with SBP equal to a) weekly average of 7% (subject to daily minimum of 4%) of total Demand Liabilities (including Time Deposits with tenor of less than 6 months); and b) weekly average of 3% (subject to daily minimum of 1%) of total Time Liabilities (including Time Deposits with tenor of 6 months and above). In addition to that, the bank maintains statutory liquidity requirement (SLR) of 18% (excluding CRR) of total Time and Demand Liabilities. The Group have successfully manages its CRR and SLR requirements.

43. OPERATIONAL RISK

The Group has prepared itself against operational risk by devising well defined strategies and oversight by the board of directors and senior management, a strong operational risk culture and internal control culture (including, among other things, clear lines of responsibility and segregation of duties), effective internal reporting, and contingency planning. Over the last year, the Group has introduced wide-ranging reforms intended not only to improve the efficiency with which the Group executes its mandate, but also to strengthen the overall internal control environment. The Group's operational risk activities currently comprise improvements in the systems environment and process changes and are expected to also include the implementation of an integrated control framework.

44. GENERAL

- 44.1 Captions, as prescribed by BSD Circular No. 04 of 2006 dated February 17, 2006 issued by the State Bank of Pakistan, in respect of which there are no amounts, have not been reproduced in these financial statements, except for the captions of the balance sheet and profit and loss account.
- 44.2 Corresponding figures have been re-arranged and reclassified, wherever necessary, to facilitate comparison. However, there are no material reclassifications to report.
- 44.3 Figures have been rounded off to the nearest thousand rupees.

45. CORRECTION OF PRIOR PERIOD ERROR

An adjustment relating to prior period error of Rs.3.113 million has been made in the financial statements of the Bank. This adjustment relates to incorrect accrual of dividend income during the quarter ended September-2005. The correction of the prior period error has been accounted for retrospectively in accordance with the requirement of IAS-8 "Accounting Policies, Changes in Accounting Estimates and Errors" and accordingly the comparative figures for the prior periods have been restated. The effect of restatement on the financial statement as of December 31, 2005 is as follows:

	Effect on the financial statements for the year ended December 31, 2005 (Rupees in '000)
Decrease in dividend income and profit	<u>3,113</u>
Decrease in equity	<u>3,113</u>

46. DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorised for issue on March 2, 2007 by the Board of Directors of the Group.



Abdul Aziz Rajkotwala
Chief Executive



Yusuf H. Shirazi
Chairman



Sherali Mundrawala
Director



S. Salim Raza
Director

Branch Network

S.No.	Name	Address	Telephone / Fax
KARACHI			
1	Zaibun Nisa St. Branch	B-6/16-A, Sadar Bazar Quarters, Zaibun Nisa Street, Karachi.	(21) 5660611-14 (21) 5660615
2	Federation House Branch	Ground Floor, Federation House, Abdullah Shah Ghazi Rd., Clifton, Karachi.	(21) 5379769-70 (21) 5379767
3	Preedy Street Branch	West View Bldg., Preedy Street, Saddar, Karachi.	(21) 2721936-68-84 (21) 2722013-2722722
4	SITE Branch	B/53, Estate Avenue, SITE Area, Karachi.	(21) 2587533,35,37, (21) 2587672
5	Sharae Faisal Branch	44/A-Nice Trade Orbit, Shop 8, Block-6, PECHS, Sharae Faisal, Karachi.	(21) 4386184-7 (21) 4386180
6	Hasan Square Branch	I/15, Hassan Square, Block 13/A, Gulshan-e-Iqbal, Karachi.	(21) 4818759-61-63-66 (21) 4818721
7	I. I. Chundrigar Rd., Main Branch	P&O Plaza (ex-Volkart Building), I. I. Chundrigar Road, Karachi.	(21) 2463745-51 (21) 2463744
8	Korangi Ind Area Branch	37/9, Sector 15, Korangi Industrial Area, Karachi.	(21) 5077764-5, 8 (21) 5077769
9	Karachi Stock Exchange Branch	Rooms # 52, 52A & 52B, 1st Floor, Karachi Stock Exchange, Karachi.	(21) 2462500-3 (21) 2462504
10	Bahadurabad Branch	28-Adam Arcade, Sub Plot # B/7 & B/8, Block # 3, BMCHS, Karachi.	(21) 4145317-8, 21-24 (21) 4145325
FAISALABAD			
11	Liaquat Rd. Branch	8th Floor, State Life Building-2, Liaquat Road, Faisalabad	(41) 2540872 (41) 2540866
MULTAN			
12	Tariq Road Branch	38/A, Tariq Road, Altaf Town, Multan	(61) 4575269, 4575946, 4575264 (61) 4575249
LAHORE			
13	Gulberg Branch	131/A-E-1, Gulberg-III, Lahore.	(42) 5871740-43,45 (42) 5871744
14	The Mall Branch	56, Ground Floor, Sh-e-Quaid-e-Azam (The Mall), Lahore.	(42) 6284799,6284800-4 (42) 6284805
15	Y Block DHA Branch	86, Block 'Y', Phase 3C, Commercial Area, DHA, Lahore.	(42) 5742048-9 (42) 5742050
16	Faisal Town Branch	853/D, Akbar Chowk, Faisal Town, Lahore.	(42) 5204101-3 (42) 5204104
GUJRANWALA			
17	G. T. Road Branch	B/11-S7/103, G. T. Road, Gujranwala	(55) 3257133 (55) 3257134
ISLAMABAD			
18	Blue Area Branch	24-West Raza Noor Plaza Jinnah Avenue, Blue Area, Islamabad	(51) 2871630-2 (51) 2871596
RAWALPINDI			
19	Bank Road Branch	60, Bank Road, Rawalpindi	(51) 5566671, 5564123 (51) 5528148
PESHAWAR			
20	Sadar Branch	Shop # 4, Jasmine Arcade, Fakhar-e-Alam Road, Peshawar.	(91) 5260988 (91) 5260917

The Secretary
Atlas Bank Limited,
3rd Floor, Federation House,
Sharae Firdousi, Clifton,
Karachi.

PROXY FORM

I/We _____
of _____
being member(s) of Atlas Bank Limited and holder(s) of _____
Ordinary Shares as per Share Register Folio No. _____ hereby
appoint _____
_____ of _____
or failing him _____
of _____
as my/our Proxy to attend, act and vote for me/us and on my/our behalf at the 4th Annual General Meeting of the Bank to be held at the Registered Office of the Bank at 3rd Floor, Federation House, Sharae Firdousi, Clifton, Karachi on _____ and at every adjournment thereof.

As witness my/our hand this _____ day of _____ 2007
signed by the Said _____ in the presence of

WITNESSES

1. Signature: _____
Name: _____
Address: _____

NIC or
Passport No. _____

Signature

Affix
Revenue
Stamp

Signature

2. Signature: _____
Name: _____
Address: _____

NIC or
Passport No. _____

(Signature must agree with the specimen signature registered with the Bank's Registrar)

Note: Proxies in order to be effective, must be received at the Bank Share Registrar Office not less than 48 hours before the meeting and must be duly stamped, signed and witnessed. A proxy must be a member of the Bank.

Atlas Bank Limited,
Share Registrar
Ground floor, State Life Building-3,
Dr. Ziauddin Ahmed Road,
Karachi.

**AFFIX
POSTAGE**

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Atlas Bank Limited

(Formerly Dawood Bank Limited)

3rd Floor, Federation House, Sharae Firdousi, Clifton, Karachi-75600 **UAN:** 111-333-225 **Fax:** (92-21) 5870543

Email: info@atlasbank.com.pk **Website:** www.atlasbank.com.pk